Results for announcement to the market

For the year ended 30 June 2016
(Previous corresponding period: to 30 June 2015)

SUMMARY OF FINANCIAL INFORMATION

	Note	2016 $'000	2015 $'000	Change $'000	Change %
Revenue from ordinary activities		92,837	60,880	31,957	52%
Profit/(loss) from ordinary activities after income tax for the period attributable to members		1,756	(10,254)	12,010	NMF[1]
Profit/(loss) after income tax attributable to members		1,756	(10,254)	12,010	NMF

Dividends

No dividend has been proposed or declared in respect of the year ended 30 June 2016.

NTA Backing

	2016	2015
Basic net tangible asset backing per ordinary share	$1.36	$1.09
Diluted net tangible asset backing per ordinary share	$1.37	$1.10

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 2016 was 244,603,252 (2015: 197,081,230).

Refer to the attached audited Financial Report for additional disclosures.

[1] NMF = Not meaningful

NEXTDC

FY16

ANNUAL REPORT

1 JULY 2015 TO 30 JUNE 2016

NEXTDC Limited ABN 35 143 582 521

ANNUAL REPORT

FOR THE YEAR 1 JULY 2015 TO 30 JUNE 2016

FY16

Letter from Chairman and CEO

We welcome our shareholders to this year's Annual Report, which marks the end of the financial year to 30 June 2016 ("FY16") and another period of significant growth and strategic achievements.

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

This year we have seen NEXTDC expand the delivery of direct, secure connectivity to the world's leading cloud platforms via our AXONVX virtual exchange, win significant new data centre service contracts through our engineering and commercial excellence, and embark on the development of two new world-class, next-generation data centres.

Key operational and financial metrics

In FY16 NEXTDC achieved significant year-on-year growth across key operational and financial metrics:

- Revenue increased 52% to $92.8 million
- Contracted utilisation increased 4.4MW to 26.1MW
- EBITDA increased 247% to $27.7 million
- Statutory net profit result of $1.8 million, compared to net loss of $10.3 million in FY15
- Operating cash flow increased $15.4 million to $22.3 million
- $101 million of capital expenditure was incurred
- Cash and term deposits of $191.4 million at 30 June 2016.

The last few months of calendar year 2015 saw the completion of our Notes II offer and equity raising of $220 million in order to fund the new B2 and M2 data centres. Post 30 June 2016, NEXTDC was also successful in upsizing the Company's undrawn senior secured debt facility with National Australia Bank from $50 million to $100 million.

While many key strategic objectives were met during the 2015-2016 financial year, we recognise the importance of creating value for our shareholders and we therefore continue to adopt a disciplined approach to capital allocation.

Leading the Australian data centre industry

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

As an expert in developing world-class data centres, having already designed and constructed a number of UTI Tier III certified facilities, the Company possesses specialist staff and expertise in relation to site selection, project management and data centre design, construction and operation, as well as high-density, scalable fit-outs.

In November 2015 we announced that NEXTDC will develop two new data centres in Brisbane and Melbourne, adding up to 31MW of IT load capacity to our national network over time and expanding our target network footprint from 42MW up to 73MW. In May this year NEXTDC executed a contract to acquire a site for the construction of M2, and executed an agreement to acquire a site for the construction of B2.

Both B1 and M1 have proven to be highly successful facilities for the Company in a relatively short period of time. We are confident that the ongoing demand in these geographies, together with our return expectations, warrants this next phase of investment in markets we know well.

Our significant growth was recognised by BRW this financial year with the Company achieving third place on the BRW Fast 100 list of Australia's fastest growing companies with 238.5 percent growth for FY15. This accomplishment is a result of an incredibly creative and hard-working team pushing themselves to innovate at speed, and reflects the passion we share with our customers and partners for taking full advantage of the new technology and consumption economics that are transforming our industries.

NEXTDC is *where the cloud lives®*

NEXTDC continues to be the first choice for the world's leading cloud platforms as they expand into the Australian market. Microsoft ExpressRoute for Azure and IBM Direct Link are live at M1, and available nationally on NEXTDC's AXONVX virtual exchange, which also connects securely to both Microsoft Office 365 via Microsoft ExpressRoute and Amazon Web Services (AWS) Direct Connect.

A key factor leading these global enterprises to invest locally in IT infrastructure is to allay consumer and community concerns about where their data resides. This worldwide trend to preference on-shore data storage is a market-led policy response by local enterprise and government, which do not want their data subject to alternate jurisdictions. The requirement for data sovereignty is essential for organisations who wish to maintain control over access to their data by having it hosted in the same legal jurisdiction as their base of operations.

Earlier this year, Microsoft's Toby Bowers, Cloud and Enterprise, Business Group Lead, commented on the availability of direct cloud connectivity to Microsoft Azure in NEXTDC data centres: "This will be a big step in addressing some of the concerns Australian businesses have about data sovereignty when they move to the cloud, by ensuring their cloud platform is hosted locally and accessed through a private, secure connection."

The demand for these cloud platforms is a source of business for our growing partner ecosystem of carriers, cloud and IT service providers, and demonstrates the value of our 'Where the cloud lives' philosophy.

To celebrate the successes of the more than 300 companies under the NEXTDC Partner Program, last year we inaugurated the NEXTDC Partner Awards. Our Partner Awards finalists are representative of the high quality of businesses operating in the NEXTDC ecosystem, and its ability to deliver premium-quality services to all sectors of the diverse IT market, from government and enterprise to start-ups and SMEs.

Building on technical excellence

The on-the-ground expertise provided by our award-winning engineering, facility and software teams is a fundamental point of difference to our competitors. NEXTDC's people are designing, testing, monitoring and tuning next-generation data centres. They're engaging directly with end-customers to fulfil their specific requirements and leveraging their feedback to create technological solutions to real-world problems, while creating customised hosting environments for the world's leading IT, cloud and telecommunications enterprises.

In March this year NEXTDC announced the General Availability of the ONEDC® Data Centre Infrastructure Management-as-a-Service (DCIMaaS) platform. ONEDC can replace multiple systems and management tools with one central, cloud-based software platform to improve operational efficiency and deliver business insights.

In October 2015 NEXTDC announced the general availability of the AXONVX virtual connectivity platform – a significant technical achievement for NEXTDC that delivers secure, on-demand connectivity between the cloud, carriers and other innovative service providers. Built on a high-speed switching fabric, AXONVX is being deployed to deliver business agility in data centres across the country.

Approximately 30 customers have already connected to AXONVX to offer access to their cloud and carrier services. Carrier networks have also connected 40 data centres across Australia to AXONVX, which has seen major public cloud services such as AWS and Microsoft Office 365 being available with a secure connection for the first time in WA and the ACT.

NEXTDC continues to advance its certifications program. This year P1, B1 and C1 data centres completed the ISO 27001:2013 Information Security Management System certification already held by S1 and M1, and all facilities completed the upgrade to ISO 9001:2015 Quality Management System certification. In June 2016 the M1 data centre was certified with an exceptional NABERS 4.5 star rating for energy efficiency, and NEXTDC has commenced NABERS certification for our other facilities.

Customer experience driving business transformation

The challenge of managing NEXTDC's incredible growth and expansion has seen the profound evolution of our business practices and company culture. When NEXTDC was formed, the company was a start-up with a handful of staff. Six years later, NEXTDC has close to $100 million in annual revenue, with approximately 170 personnel across six locations nationally. We support a diverse range of teams from finance, legal, sales and marketing and software development to engineering, project management and operations, who design, build and maintain our award-winning data centres.

A high level of creativity and innovation is sought from our staff, because at NEXTDC we know great things come from experimentation. We strive to try new things and fail forward because this is the path to breakthrough innovation.

The innovative application of technology is an integral part of our mission and vision as an organisation and we have developed strong communication and workflow management systems to enable our multi-located workforce to collaborate on a wide range of projects. Last year we realised NEXTDC had outgrown many of our start-up technology solutions and processes, so we embarked on a major transformation program spanning the technology and systems used across the entire business to fulfil the needs of today's scale and be prepared for tomorrow's growth.

Transforming systems is a challenge in a live environment, from a people and change management perspective and to ensure we maintain a world-class customer experience. However, by investing in new online, automated platforms such as ServiceNow, DocuSign and Microsoft Office 365, we are gaining a competitive advantage by developing a cloud-based, service-oriented business model. This enables NEXTDC to deliver "anything as a service", and through a set of productivity tools, enables us to execute our strategic objectives while providing the scalability that drives operating leverage.

Advancing the digital economy

NEXTDC is a young, agile and inventive company and we're evolving at pace to develop our next generation of services and expand our national data centre network.

We'll continue to develop innovative solutions to enable our carrier and IT service provider partners in the Cloud Centre community to continue to deliver reliability, choice and flexibility to their clients, while delivering the best customer experience in the industry.

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

NEXTDC value proposition and business strategy

About NEXTDC

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

As Australia's leading independent data centre operator with a nationwide network of Tier III facilities, we provide enterprise-class colocation services to local and international organisations. With a focus on sustainability and renewable energy we are leading the industry with award-winning engineering solutions for energy efficiency and NABERS 4.5 star certification.

NEXTDC is extending its leadership in data centre services through our innovative DCIM-as-a-Service software platform, ONEDC®, which enables customers to centrally manage their on-premise and colocated infrastructure; and our award-winning virtual connectivity platform, AXONVX™ – delivering rapid, secure connections to cloud services on-demand.

Our Cloud Centre marketplace hosts the country's largest independent ecosystem of carriers, cloud and IT service providers, enabling our customers to source and connect with suppliers, partners and customers and build integrated hybrid cloud deployments.

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.

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. By not offering telecommunications or IT managed services and competing with the channel, more organisations are encouraged to join the nationwide Cloud Centre community and leverage the diverse onsite connectivity options to develop 'best fit' integrated solutions for their customers. Our commitment to 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.

Simplified national data centre service

A key competitive advantage for NEXTDC is the Company's nationwide data centre footprint across five of Australia's seven capital cities: Sydney, Melbourne, Brisbane, Canberra and Perth. This allows organisations to gain a single, nationwide data centre partner under the one contract, with consistent pricing, SLAs and customer service processes across all cities, reducing their administrative burden, and allowing them to easily expand and manage their data centre service.

World-class facilities 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. NEXTDC offers market-leading levels of reliability and availability (100 percent no-break power guaranteed) – critical to businesses using cloud services – and extremely high energy efficiency that lowers their carbon footprint.

Hubs for connectivity

NEXTDC's Cloud Centre community is the largest independent network of IT service providers, carriers and cloud providers in Australia. The benefit of colocating with a neutral provider like NEXTDC is the ability to connect to all suppliers and business partners in the one place, reducing costs and minimising latency. Complementing the direct physical connections offered within NEXTDC facilities, AXONVX enables customers to activate high-speed private connections to any number of carriers and cloud platforms on-demand, and access simplified inter-captial connectivity services.

Centralised data centre asset management

The ONEDC cloud platform for DCIM-as-a-Service uniquely allows 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.

Customer experience

Our focus on customer experience makes NEXTDC stand out in the industry, spanning all facets of our business from the support we give to customers during the on-boarding process, to the responsiveness of our customer service teams and touches.

Channel-first sales strategy

NEXTDC's data centre partner program is the largest and most active in Australia, centred on our channel go-to-market model that enables flexible solutions for end users, and features an extensive support program with a tiered system of pricing, access to tailor-made marketing material, partner events and shared publicity.

We have so far partnered with more than 350 vendors, telcos and providers of infrastructure, platform and cloud services, and we drive business through this community wherever possible, leveraging their large sales teams and customer base to reach a broader cross-section of the end-user market.

Our partners use NEXTDC data centres to house their own servers and IT infrastructure, and enable their customers to connect directly to them within the facility. We have particularly strong relationships with our Premier Partners, which re-sell NEXTDC services to their customers, along with their own cloud and/or managed services, offering a comprehensive, end-to-end solution.

NEXTDC's channel partner 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 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.

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 and support services in enterprise-class facilities. Customers host their own infrastructure or storage, using the facility as an extension of their own property. Spaces range from a quarter rack to multiple racks to large areas of floor space that customers can design to their own requirements.

Connectivity-as-a-Service (CaaS): We offer both physical and virtual connection options. Cross Connects are physical fibre connections within a data centre facility, while AXONVX offers virtual connections to clouds, carriers and suppliers in any data centre on the AXONVX network.

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, and packages are available on a monthly subscription per rack.

Professional Services: 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.

Awards and certifications

CERTIFICATIONS

Information Security ISO 27001

ISO 27001:2013
Information Security Management System (ISMS) certification

Quality ISO 9001

ISO 9001:2015
Quality Management System certification

NABERS 4.5 star rating for energy efficiency
M1 Melbourne

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

Australian Government
Department of Finance

Uptime Institute
Tier III certification

INDUSTRY AWARDS

iAwards
2016 Winner: AXONVX – Industrial & Primary Industries category
2016 Winner: AXONVX – Infrastructure & Platforms Innovation of the Year
2014 Winner: ONEDC – Merit Award in the Tools category

BRW Fast 100
2015 #3 fastest-growing Australian company over the past three years

ARN ICT Industry Awards
2015 Winner: Telecommunications Vendor of the Year
2015 Winner: Service Provider of the Year
2014 Winner: Service Provider of the Year
2013 Winner: Sustainability
2013 Winner: Service Provider of the Year

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

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

The nervous system of the digital economy

Australia has seen a period of investment and capacity building in data centres that has supported the arrival of a host of the world's top cloud providers, and boosted accessibility of private cloud services. Public cloud is rapidly scaling up in Australia as the global players increase their local presence, so data centre operators like NEXTDC are innovating to stay in front of the exponential growth of data worldwide and the demands for ever-increasingly efficient and secure hosting environments and connectivity services.

Cloud providers are some of the world's biggest consumers of data centre services, which is a catalyst for growth in the data centre ecosystem, exerting a gravitational pull on enterprise and the telecommunications and IT firms that service them, as well as the host of SMEs seeking to leverage the same cutting-edge services and connectivity as their better-resourced competitors.

The fact that cloud and compute costs are dropping all the time has underpinned the ability of virtualised, on-demand services to drive rapid IT change across all sectors of the economy. As the cloud market evolves to the next generation through automation and intelligent systems, we will see a new level of value derived from cloud platforms, and an explosion of disruptive new services.

Cloud answers the challenge of the transition to a digital economy; in combination, fresh solutions derived from the cloud and traditional modes rising to the cloud has created incredible momentum, which is why Gartner predicts that by 2019 more than 30 of the 100 largest vendors' new software investments shift from cloud-first to cloud-only. This seismic shift is clearly reflected in Microsoft's prediction last year that their cloud products' (Office365, CRM, and Azure) share of revenue would increase nearly three-fold in three years to 30 percent in 2018.

As organisations increasingly need to interact with multiple cloud service providers for both daily operations and experimentation, as well as their in-house or colocated infrastructure, complex hybrid environments are being created. Today it's the ecosystem and rapid, secure connectivity to other data centres and clouds that's whetting the market's appetite, and the ability to link the elements of their IT service together.

The market's need is now towards providing and managing secure interconnectivity between a number of different IT platforms, which is seamless and always available – presenting opportunities for increased automation through software-defined networking and interconnection platforms like AXONVX.

Although virtualisation and cloud are enabling organisations to choose how they acquire or deliver IT services, with reduced emphasis on the constraints of traditional software and hardware licensing models, you can't forget the fundamental need for reliability and uptime. The Ponemon Institute showed the average cost of a data centre outage has increased nearly 40 percent in the past six years to break past $1 million.

By the end of 2016, according to Frost & Sullivan, the average rack power utilisation in Australia will reach close to 5kW. Data centres have to prepare for higher power densities, the increasing financial impact of outages and customers' need to interconnect multiple service platforms.

As hubs for cloud access, the future now for data centres is to be able to deal with vast increases in real-time interactions between an organisation's diverse and distributed IT service, any number of devices and service locations, and their pool of highly mobile customers. Data centres are evolving to a point where they will enable customers to consume nearly their entire IT deployment as-a-Service, host mission-critical data, and scale capacity with public cloud platforms.

Impact of market growth demonstrated by NEXTDC

	30 June 2016	30 June 2015	30 June 2014	30 June 2013
ECONOMIC INDICATORS				
Revenue pipeline (annualised, unweighted)[1]	$241m	$198m	$144m	$119m
Customers[2]	647	478	302	130
Cross connects[3]	4,575	2,893	1,488	513
CAPACITY AND UTILISATION				
Operating facilities[4]	5	5	5	3
Installed capacity[5]	34.7MW	24.4MW	19.7MW	9.0MW
Contracted customer utilisation[6]	26.1MW	21.7MW	11.9MW	9.7MW
% of installed capacity	75%	89%	59%	109%
Billing customer utilisation[7]	23.2MW	14.0MW	10.6MW	2.4MW
% of installed capacity	67%	57%	54%	27%

Sustainability

For additional information, please see the document Environmental and Social Sustainability Report available from the Corporate Governance section of the NEXTDC website.

As a recognisable and trusted brand, being a sustainable organisation is very important to NEXTDC as we consider the long term environmental and social impacts of our organisation.

For NEXTDC, sustainability is about ensuring that our business is managed to account for social, environmental and economic risks and opportunities. In the short and medium term, being sustainable also comes with financial benefits and value creation opportunities for shareholders. Implementing environmental initiatives improves our operating costs and social sustainability practices improve staff moral and supplier relationships, which has a flow on effect of improving productivity.

NEXTDC's strategy for addressing:

1. Environmental sustainability is to implement an Environmental Management System to comply with the ISO14001:2015 standard, which focusses our attention on the continuous improvement and delivery of sustainable initiatives. By establishing appropriate objectives and targets, NEXTDC is committed to assessing and reducing the energy and environmental impacts of its data centres.
2. Social sustainability is to imprint our organisational values as reflected in our Corporate Social Responsibility, Employee Code of Conduct and Supplier Code of Conduct and other code of conduct related policies.

NEXTDC applies a materiality assessment that categorises and prioritises the most relevant sustainability issues concerning the organisation and its stakeholders. This report is an opportunity to communicate and disclose to our shareholders how environmental and social considerations are addressed and monitored by the company.

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 its 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:

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[1] Revenue Pipeline: Includes all identified opportunities where a qualified customer has a measurable requirement. The value reflects the annualised revenue relative to the opportunity, and is unweighted for probability.

[2] Customers: the number of counterparties (including partners) which have executed a Master Services Agreement with NEXTDC.

[3] Cross Connects: the number of physical links between customers within a data centre.

[4] Operating Facilities: The number of facilities which had commenced operations prior to the reporting date.

[5] Installed Capacity: Includes the total power capability of the data centre space fitted out across all operating facilities.

[6] Contracted Customer Utilisation: Total of all sold capacity in MW including customers with deferred contract commencement dates.

[7] Billing Customer Utilisation: Total of all sold capacity in MW where the service has commenced.

- 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.

National Australian Built Environment Rating System (NABERS)

NEXTDC was one of the original signatories to NABERS for Data Centres, and the M1 Melbourne data centres has achieved a NABERS 4.5 star rating for energy efficiency. NEXTDC is committed to achieving NABERs ratings for its other 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 FY16, it produced 476MWhrs in renewable energy, which provided an off-set of over 488 tonnes of CO_2, equivalent to the carbon generated yearly by 143 cars. The array produced around two percent of the electricity that NEXTDC's customers used at M1. It also helps reduce M1's 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 Sydney and Perth data centres.

City of Melbourne renewable energy initiative

NEXTDC has joined forces with the City of Melbourne as part of 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; NAB; City of Maribyrnong; City of Yarra; Federation Square; Mirvac; and bankmecu, has a collective energy consumption of around 100GWh 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.

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 is 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.

Values

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':

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

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 2016.

Directors

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

- Douglas Flynn
- Stuart Davis
- Gregory J Clark
- Elizabeth Gaines
- 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 full year NPAT result
- Successfully raised $220 million of additional funding ($120 million equity raising together with a $100 million Notes II offer)
- Undertaken work to upsize its senior debt facility from $50.0 million to $100.0 million (completed in August 2016)
- Contracted 4.4MW of new capacity
- Expanded its target network footprint from 42MW up to 73MW with the announcement of two new data centres: M2 Melbourne and B2 Brisbane
- Launched a number of new products and services, including AXONVX, our new virtual connectivity platform and ONEDC DCIMaaS.

Financial Performance and Position

NEXTDC achieved a number of milestones and enjoyed a period of strong growth in the 12 months to 30 June 2016.

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 $58.7 million to $89.3 million. The increase in revenue was largely driven by increased utilisation of data centre services across the business, as well as an increase in establishment fees. As at 30 June 2016, NEXTDC was billing for approximately 23.2MW (2015: 14.0MW) of capacity.

Net profit after tax was $1.8 million (2015: $10.3 million loss). Non-statutory underlying earnings before interest, tax, depreciation and amortisation (EBITDA) improved from $8.0 million in FY15 to $27.7 million in FY16.

During the year, $101 million of capital expenditure was incurred.

Funding

Post 30 June 2016 year end, NEXTDC was successful in upsizing its undrawn senior secured debt facility from $50.0 million to $100.0 million. As at the date of this report, the facility remains undrawn.

Cash, cash equivalents and term deposits at 30 June 2016 totalled $191.4 million (2015: $52.9 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 647 at 30 June 2016.

During FY16 NEXTDC increased its contracted utilisation by 20% from 21.7MW on a pro forma basis (including the Federal Government client announced on 10 August 2015) ("*pro forma*") at the end of FY15 to 26.1MW.

Contracted utilisation at the M1 Melbourne facility has increased from 76% *pro forma* to 86% of the total power capacity (15.0MW) during the period from 1 July 2015 to 30 June 2016, an increase from 11.4MW to 12.9MW. M1 Melbourne's sixth and final data hall was opened during the year, with further works underway to install customer related infrastructure. Total available capacity now stands at 15.0MW at M1.

B1 Brisbane continues to operate profitably and has increased its contracted utilisation from 79% *pro forma* (1.8MW) at 1 July 2015 to 93% (2.1MW) at 30 June 2016.

S1 Sydney's contracted utilisation increased from 55% *pro forma* to 71% of the total power capacity (14.0MW), during the period from 1 July 2015 to 30 June 2016 . S1 Sydney's fourth and final data hall was opened during the year, with further works underway to install customer related infrastructure. Total available capacity now stands at 14.0MW at S1.

P1 Perth's contracted utilisation, based on total target power capacity of 6.0MW, has increased from 11% *pro forma* (0.7MW) to 15% (0.9MW) at 30 June 2016. At the date of this report, 2.7MW capacity has been installed out of a total target capacity of 6.0MW.

C1 contracted utilisation increased from 3% *pro forma* (0.2MW) to 4% (0.2MW) of target power capacity (4.8MW). A program to expand capacity and upgrade core systems at C1 is in progress.

NEXTDC is deriving revenue from numerous product sources including white space, rack ready services, establishment service fees and add-on services. During FY16 cross connectivity between customer racks generated approximately 5% 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.

The Company's P1 Perth, B1 Brisbane and C1 Canberra data centre facilities joined its S1 Sydney and M1 Melbourne facilities in achieving ISO 27001:2013 Information Security Management System certification. These certifications confirm that NEXTDC has implemented an information security management system that provides a systematic approach to risk management and the protection of sensitive company information.

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.

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:

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

Based on the factors listed above, the Group expects its revenue to 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.

The Environmental and Social Sustainability Report (located at NEXTDC.com) provides details on how NEXTDC addresses matters of environmental and social sustainability. NEXTDC has identified the following business 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 Asia-Pacific region aims to combat this risk as we present to the market a solution which provides more options to connect 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 providing complementary products and services.
- *Development:* NEXTDC is involved in the development of data centres, including the proposed new sites for B2 and M2. Generally, development projects have a number of risks including (i) the risk that suitable sites or required planning consents and regulatory approvals, including approvals from the local water authority and the local power distribution grid operator, are not obtained or, if obtained, are received later than expected, or are adverse to NEXTDC's interests, or are not properly adhered to; (ii) the escalation of development costs (including the costs of construction and fit out and any associated delays) beyond those originally expected; (iii) unforeseeable project delays beyond the control of NEXTDC; and (iv) non-performance/breach of contract by a contractor or sub-contractor. Increases in supply or falls in demand could influence the acquisition of sites, the timing and value of sales and carrying value of projects. Other risks include contamination risk, risks relating to the contractual allocation of risk, risks relating to authorisations and permits, future development risks, capital expenditure risk, contractor insolvency risk, financial leverage, technology risk, competition risk, a lack of industry diversification, CPI risk, reliance on management expertise and financial information and forecasts risk.
- *Funding:* NEXTDC's business is capital intensive in nature and 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 cloud enabling products and services that are not as capital intensive to complement its 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, and that it is delivered on time and within budget.
- *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, the Company's facilities are protected by multi-layered security systems and protocols designed to limit access to areas within the data centres only to those with the appropriate authorisation.
- *Privacy & Data Security:* NEXTDC collects a minimal amount of Personally Identifiable Information (PII). Except for the purpose of doing business and to permit entry into our facilities, we do not store or interact with customer data. All PII is securely managed in accordance with our Privacy Policy and information security practices based on ISO 27001 controls.
- *Unable to Provide Service:* A catastrophic failure or equipment malfunction at a NEXTDC data centre could result in the Company not being able to provide power and cooling to support our customers' equipment, thus breaching our service level agreements and incurring contractual liabilities. To address this risk, all of NEXTDC's data centres are designed and built with sufficient redundancy in place (including redundant paths for power and cooling) to enable components to go off-line 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 its suppliers, regularly attends industry conferences and is a member of the Uptime Institute, an independent thought leader and certification body in IT and data centres.
- *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.
- *Training and Development:* Operating and maintaining data centres requires highly trained employees. All data centre workers hold the appropriate licences and receive on the job training. In addition, NEXTDC's in-house Engineering team provides support and knowledge on how to run the equipment at optimal performance.

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 FY16.

Matters subsequent to the end of the financial period

Subsequent to the end of FY16, NEXTDC was successful in upsizing its undrawn senior secured debt facility with the Company's relationship bank, National Australia Bank ("NAB") from $50.0 million to $100.0 million.

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 is registered under the National Greenhouse and Energy Reporting Act ("NGER"). In June 2016 M1 data centre was certified with an exceptional NABERS 4.5 star rating for energy efficiency, and NEXTDC has embarked on the NABERS program for our other facilities.

Insurance of officers

During the period, NEXTDC Limited paid a premium of $45,659 (2015: $36,771) 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 ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Information on directors

DOUGLAS FLYNN

Chairman
Non-Executive Director (since September 2013)

EXPERIENCE AND EXPERTISE

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

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

Doug is 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.

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

From 2005 to 2008, Doug served as the Chief Executive of facilities management provider Rentokil Initial Plc. Doug returned to Australia in 2008 and from April 2008 to April 2012, was a consultant to and a director of Hong Kong listed Qin Jia Yuan Media Services Ltd, a private television company operating in China. From 2009 to 2014 he was a director of Seven West Media.

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
- Qin Jia Yuan Media Services Limited

SPECIAL RESPONSIBILITIES

- Chairman

INTERESTS IN SHARES AND OPTIONS

Doug holds 133,460 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 1,004,676 fully paid ordinary shares, 1,768,093 shares via the NEXTDC Loan Funded Share Plan and 893,549 performance rights.

STUART DAVIS

Non-Executive Director (since September 2013)

EXPERIENCE AND EXPERTISE

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

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

OTHER CURRENT DIRECTORSHIPS

- PayPal Australia Limited (July 2016 – present)

FORMER DIRECTORSHIPS

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

SPECIAL RESPONSIBILITIES

- Chairman of the Audit and Risk Management Committee

INTERESTS IN SHARES AND OPTIONS

Stuart holds 28,211 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 has undertaken extensive work in digital businesses and is experienced 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

- Fortescue Metals Group Limited (from February 2013)
- Nine Entertainment Co (from 1 March 2016)
- Impeded Limited (from 1 March 2016)

FORMER DIRECTORSHIPS

- Executive Director of Helloworld Limited (until 20 November 2015)
- Mantra Group Limited (until 26 November 2014)

INTERESTS IN SHARES AND OPTIONS

Elizabeth holds 21,606 fully paid ordinary shares in NEXTDC Limited.

GREGORY J CLARK

Independent Non-Executive Director (since 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 market place.

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

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

While at News Corporation and Loral Space and Communications, Dr Clark was Chairman and/or on the Board of a number of wholly owned subsidiaries including Globalstar, SatMex, Skynet, 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 and Questacon, the National Science and Technology Centre.

FORMER DIRECTORSHIPS

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

SPECIAL RESPONSIBILITIES

Chairman of the Remuneration and Nomination Committee

INTERESTS IN SHARES AND OPTIONS

Gregory holds 25,000 fully paid ordinary shares in NEXTDC Limited.

MICHAEL HELMER

Company Secretary (since February 2015)

Michael is also the General Counsel of NEXTDC Limited.

Michael has over 20 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 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, the Governance Institute of Australia and holds a Certificate in Governance Practice.

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	12	12	3	3	2	2
Stuart Davis	12	12	3	3	2	2
Gregory J Clark	12	12	3	3	2	2
Craig Scroggie	11	12	N/A	N/A	N/A	N/A
Elizabeth Gaines	12	12	3	3	2	2

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

Remuneration Report – Audited

This report sets out the remuneration arrangements for Directors and other Key Management Personnel (KMP) of NEXTDC for the year ended 30 June 2016 (FY16), 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:

1. MESSAGE FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Welcome to NEXTDC's 2016 Remuneration Report, which details how both Company and individual executive performance appropriately links to remuneration outcomes for the 2016 financial year. The report also communicates refinements to our remuneration policy for FY17 that further strengthen the alignment between shareholder returns and remuneration.

In 2016 NEXTDC achieved a number of key performance milestones:

- Revenue from data centre services grew 52% from $58.7 million in FY15 to $89.3 million in FY16;
- Non-statutory underlying earnings before interest, tax, depreciation and amortisation (EBITDA) grew 247% from $8.0 million in FY15 to $27.7 million in FY16;
- Operating cash flow grew 224% from $6.9 million in FY15 to $22.3 million in FY16;
- Contracted utilisation grew by 4.4MW on a pro forma basis from 21.7MW[1] at 30 June 2015 to 26.1MW at 30 June 2016;
- The successful raising of $220 million of additional funding, comprising a fully underwritten $120 million equity raising together with a $100 million Notes II offer; and
- Secured sites for the construction of the Company's second data centre facility in Brisbane (B2) and Melbourne (M2).

These outstanding achievements underpin annual incentive payments made to senior executives for the FY16 performance period. Outcomes were consequential and material in achieving both a financial and market position in excess of budget and our strategic plan.

For financial year 2016 the Board approved:

- A recommended non-executive director shareholding guideline; and
- STI and LTI clawback policies.

In addition the Committee appointed an independent consultant to review and revise the Company's existing LTI and STI schemes to ensure close alignment between incentives and shareholder interests. The resulting refinements for the LTI and STI remuneration structures for FY17 include:

- Requiring an EBITDA gateway performance requirement before any STI payments can be paid to ensure that annual bonuses are only provided in instances of acceptable financial performance;
- Deferral of 33% in FY17 and 50% from FY18 of Short Term Incentives (STIs) for a period of 12 months. The deferral carries a provision for employees to receive the deferred incentive as equity, which facilitates medium term alignment between senior executives and shareholders; and
- A refinement of the relative TSR requirement to reward executives for exceeding the ASX200 Accumulation Index by a set percentage growth range, which will ensure that adverse LTI vesting outcomes do not eventuate.

The Board was also pleased to announce that it has renewed the employment agreement of its Chief Executive Officer, Mr Craig Scroggie. The prior agreement was for a fixed term of four years and expired on 30 June 2016. The new agreement is on substantially the same terms as the previous agreement, except that it is on a 12 month rolling basis, commencing on 1 July 2016.

In formulating these refinements we took into account the Company's business plans, cash position, competitive environment and feedback from shareholders. We look forward to further engagement with our shareholders and welcome your continued feedback on our remuneration policies and practices.

Gregory Clark

Chairman – Remuneration and Nominations Committee

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[1] Pro forma for the Federal Government contract announced 10 August 2015

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 since 30 April 2014 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	Non-Executive Director Member of the Audit and Risk Management Committee 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	Chief Financial Officer
Adam Scully	Group Executive – Sales and Marketing
David Dzienciol	Group Executive – Customer and Technology

3. OVERVIEW OF REMUNERATION GOVERNANCE FRAMEWORK

Shareholders may wish to reference the following remuneration-related policy documents, which relate to the 2016 financial year and 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;
- Short Term Incentive Policy and Procedure; and
- Long Term Incentive Policy and Procedure.

The following outlines the remuneration framework and a summary of their content as applicable for the 2016 financial year:

3.1 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 our business strategy and 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;
- Financial targets on which incentives are based are suitably stretching, and meet a budget and business plan to exceed market expectations and guidance at the time they were set, such that the level of achievement aligns relative performance and relative pay;
- 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 to meet growth plans; and
- Termination benefits will generally be limited to the default amount allowed for under the Corporations Act (without shareholder approval).

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

3.2 Senior Executive Remuneration Mix

The Senior Executive remuneration mix refers to the proportion of remuneration executives can receive as fixed versus "at risk" variable remuneration. Assuming performance is at a level whereby incentives pay out in full, 60% of remuneration received is performance-related.

The FY17 remuneration mix is as tabulated below.

Table 1: Senior executive remuneration mix if maximum incentive payments are received.

Remuneration element	CEO and direct reports	
Base Salary		40%
Incentive	Short Term Incentive (STI)	30%
	Long Term Incentive (LTI)	30%
Total		100%

The Board retains the ability to reduce or clawback incentive 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 circumstances occur that the Committee determines to have resulted in an unfair benefit to the recipient.

3.3 Senior Executive Remuneration and Performance

Although organic growth opportunities are compelling, there is powerful competition from private and foreign owned corporations. The Board has therefore determined that significant remuneration opportunity be contingent on realising this growth, as prospects for future shareholder value are heavily reliant on being amongst the first to market to secure valuable sites, build needed infrastructure, offer a regional footprint for national and international customers, and retain these customers with high value services that present high barriers to entry. If successful, these early years of growth are the drivers of tomorrow's sustainable shareholder value creation.

The Board has been careful in framing the metrics for rewarding performance. Many traditional performance measures used by other companies are not considered appropriate for NEXTDC. The high capital intensive nature of NEXTDC's business requires infrastructure to be built prior to generating income that is derived through use of the infrastructure. With NEXTDC currently operating within a high growth market, the Company needs to continually expand its infrastructure to meet customer demand. It is on this basis that the Board places emphasis towards committed sales, facilities growth, margin, and EBITDA growth in incentivising senior executives.

3.4 Variable remuneration – Short Term Incentive Plan (STIP)

FINANCIAL YEAR 2016 SHORT TERM INCENTIVE (STI) PLAN

Aspect	Plan Rules, FY16 Offers and Comments
Purpose	The STI Plan's purpose is to provide an incentive for Senior Executives to achieve the Company's strategic objectives by delivering or exceeding annual business plan requirements for 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. **FY16 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.
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. **FY16 Offer** KPIs vary to some extent between participants and reflect the nature of their roles, while creating shared objectives where appropriate. KPIs used for FY16 include: ▪ Company KPIs: – Group EBITDA – New kilowatts committed – Price per kilowatt committed. ▪ Individual Performance KPIs: – Individual Effectiveness – 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 FY16 year. Performance goals are not disclosed if they remain commercially sensitive. **Comments** The Company KPIs were selected as being the most relevant drivers for improving financial performance and growth in shareholder value, and are also common measures among its global competitors. Specifically, the Company KPIs were chosen because: (a) Group EBITDA indicates the Company's underlying profitability best suited to its stage of 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. Threshold performance levels are set for each of these Company KPIs prior to the payment of any incentive. All threshold performance requirements are challenging requirements aimed at aligning management remuneration with shareholder expectations. For 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 2016 SHORT TERM INCENTIVE (STI) PLAN

Aspect	Plan Rules, FY16 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. **FY16 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 entitlements in relation to the Measurement Period are forfeited. In the event of cessation of employment due to resignation, all entitlements 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-rated 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 elect to accelerate the determination and payment of STI awards subject to not exceeding the Corporations Act 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 has resulted in a significant loss to shareholders’ value, the Board may abandon the STI Plan for the Measurement Period or adjust STI payouts.
Malus/Clawback Provisions	**Plan Rules** 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.
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.

2017 STI PLAN

For the 2017 financial year the Company will implement the following changes to the STI Plan to further enhance governance and align remuneration and shareholder outcomes:

- No STI will be paid if the EBITDA gateway is not achieved. The EBITDA gateway will be set at 95% of budget.
- 33% of the STI awarded will be deferred for 12 months, with employees able to elect whether this is delivered in cash or share rights.
- Increasing the stretch STI opportunity to 75% of Base Package (target STI opportunity will remain unchanged at 25% of Base Package) to align with comparable companies and further incentivise the achievement of stretch hurdles.

Aside from the aforementioned amendments, the terms and performance requirements pursuant to the 2017 STI Plan are expected to remain consistent with those applicable to participants in the 2016 STI Plan.

3.5 Variable remuneration – Long Term Incentive Plan (LTIP)

FINANCIAL YEAR 2016 LONG TERM INCENTIVE (LTI) PLAN

Aspect	Plan Rules, FY16 Offers and Comments
Purpose	The LTI Plan's purpose is to give effect to an element of Senior Executive Remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for Senior Executives to help achieve the Company's strategic objectives by delivering company performance that will lead to sustainable superior returns for shareholders. Another purpose of the LTI Plan is to act as a retention mechanism to maintain a stable team of performance focused Senior Executives. The current LTI Plan is the NEXTDC Executive Incentive Rights Plan (the EIRP).
Incentive Rights	**Plan Rules** Three types of Incentive Rights may be offered: ▪ Performance Rights (LTI which vests based on performance); ▪ Retention Rights (LTI which vests based on service); and ▪ Deferred Rights (Deferred STI which vests based on service). Upon 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.
	FY16 Offers Performance Rights
	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.
LTI Value	**Plan Rules** The Board has discretion over the value of LTI to be offered.
	FY16 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 2015 (FY15). The "Target Vesting %" recognises that the stretch level of Rights needs to be granted and ensures that the target level of vesting occurs when target performance is achieved.
	Comments The target LTI value is designed, when combined with Base Packages and target STI award opportunities, to produce total remuneration packages that are consistent with the Company's Senior Executive Remuneration policy. That policy aims to enable the Company to attract, retain and motivate the calibre of executives required to achieve the Company's challenging business plans.
Measurement Period	**Plan Rules** The Measurement Period is three years unless otherwise determined by the Board.

FINANCIAL YEAR 2016 LONG TERM INCENTIVE (LTI) PLAN

Aspect	Plan Rules, FY16 Offers and Comments
	FY16 Offers The measurement period is the three financial years from 1 July 2015 to 30 June 2018.
	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.
Vesting Conditions	**Plan Rules** Board discretion to set vesting conditions for each offer. A positive total shareholder return (TSR) gateway applies to all offers such that no vesting will occur if shareholder value has not increased over the Measurement Period (i.e. TSR must be greater than zero). The Board retains discretion to modify vesting outcomes. Incentive Rights that do not vest will lapse.

FY16 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 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 performance level 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.

FINANCIAL YEAR 2016 LONG TERM INCENTIVE (LTI) PLAN

Aspect	Plan Rules, FY16 Offers and Comments
Retesting	**Plan Rules** The Board has discretion to determine whether retesting will apply.
	FY16 Offers No retesting.
	Comments The Board considered that retesting should not be part of any LTI offers because Australian corporate governance guidelines do not support the practice of retesting and with regard to the current intention of providing an annual grant of awards.
Amount Payable for Incentive Rights	**Plan Rules** The Board has discretion to specify an amount payable for Incentive Rights.
	FY16 Offers No amount is payable for Incentive Rights.
	Comments This is standard market practice and consistent with the nature of Rights.
Exercise of Vested Incentive Rights	**Plan Rules** Upon 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.
	FY16 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.
	FY16 Offers No additional dealing restrictions are to be attached to FY16 offers.
	Comments Dealing restrictions aim to align the time when Shares may be sold with the point of taxation.
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.

FINANCIAL YEAR 2016 LONG TERM INCENTIVE (LTI) PLAN

Aspect	Plan Rules, FY16 Offers and Comments
	FY16 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 vest in the same proportion as the Share price has increased since the beginning of the Measurement Period, although the Board retains discretion over the treatment of any unvested Incentive Rights.
	FY16 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.
Quotation	**Plan Rules** Specific rule not needed.
	FY16 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.
	FY16 Offers No variation.
	Comments Aims to ensure that operation of the Plan is not undermined by a significant return of capital to shareholders.
Malus/Clawback Provisions	**Plan Rules** 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.
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.

FINANCIAL YEAR 2016 LONG TERM INCENTIVE (LTI) PLAN

Aspect	Plan Rules, FY16 Offers and Comments
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.

FY17 LTI PLAN.

During the course of FY16 the Board reviewed the LTI Plan to ensure it remained fit for purpose, taking into account feedback from external stakeholders. For the 2017 financial year the Company will implement the following changes to the LTI Plan:

- The measurement period for assessing TSR performance will be aligned with the release of results to ensure that the share price upon which TSR is determined at the start and end of the performance period reflects an informed market.
- The performance benchmark will be changed to the ASX 200 Accumulation Index. This better reflects the group to which the company compares its long term performance, is independently determined and is transparent.
- Vesting will commence at index performance and end at exceeding it by 5% compound annual growth over the performance period. This hurdle has been determined with regard for the historic performance of the ASX200 Accumulation Index whereby 5% compound annual growth or greater represents upper quartile performance.

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 appropriate at this stage, with consideration for NEXTDC's current stage of development. The Remuneration Committee regards the continued application of a relative TSR performance measure to be most effective in capturing alignment between long term executive performance and shareholder wealth outcomes. The Committee will review the appropriateness of the single measure LTI program on an annual basis.

3.6 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 comprised of:
  - Board fees
  - Committee fees
  - Superannuation
  - Other benefits
  - 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 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 75^{th} percentile of comparable ASX listed companies.
- Any Non-Executive Director remuneration that contains securities should fall at or below the 75th percentile of the comparable ASX listed company market. The Company does not currently provide securities as part of Non-Executive Director remuneration and shareholder approval would be sought for any plan that may facilitate this form 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. EMPLOYMENT TERMS FOR 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.

The CEO's 2012 service agreement set a base package of $1.2 million. NEXTDC is unique among ASX-listed companies due to its high capital intensity and given that growth prospects require further capital to realise this growth ahead of demonstrable revenues and profits. Most comparable peers are US-based, as are the more highly paid executive talent. The Board considered the Company's long term strategy and potential, and determined that the CEO's remuneration remains appropriate in context of the skills and experience necessary to lead NEXTDC. The CEO's employment agreement was renewed in June 2016 on substantially the same terms as the previous agreement except that it is on a 12 month rolling basis commencing on 1 July 2016.

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

Name	Duration of Contract	Notice Period	Termination Payments[1]
Craig Scroggie	No fixed term	12 months	12 months
Simon Cooper	No fixed term	6 months	6 months
Oskar Tomaszewski	No fixed term	3 months	3 months
Adam Scully	No fixed term	3 months	3 months
David Dzienciol	No fixed term	3 months	3 months

5. STI PERFORMANCE OUTCOMES FOR FY16

FY16 was the Company's sixth full financial year since inception.

As the Company has progressed, its performance outcomes have moved from an initial development phase to an operational and expansion phase, with the achievement of strategic objectives leading to increasing earnings. Primary objectives for the FY16 year included 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.

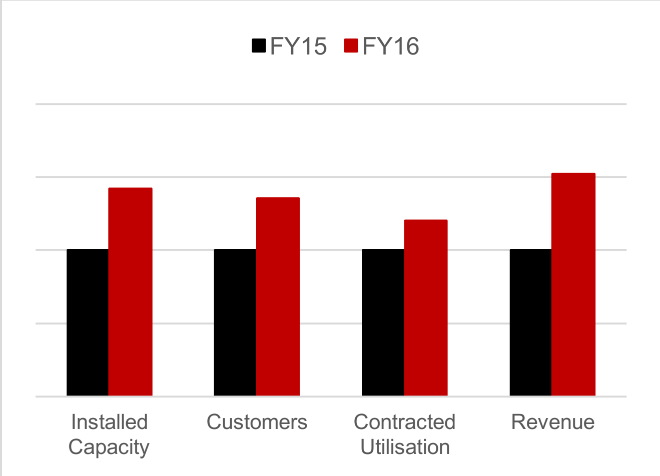
The Company had a tremendous year in terms of sales achievement, with a total of 4.4MW committed. 169 new customers were added during the course of the financial period, including NetDocuments, StorageCraft and Global Cloud Xchange (GCX) at M1 and S1 data centres, with total customers now approaching 650.

Total installed capacity increased by 42% from 24.4MW to 34.7MW, with the final data halls opened at M1 and S1. New sites for M2 Melbourne and B2 Brisbane were secured, expanding the network's target capacity to over 73MW.

The Company also delivered strong growth in EBITDA and operating cash flow in FY16, with operational displine and a 52% increase in revenue from data centre services (from $58.7 million to $89.3 million) contributing to a $27.7 million full year EBITDA result, up from $8.0 million achieved in FY15.

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

The last few months of calendar year 2015 saw the completion of our Notes II offer and equity raising that achieved $220m in additional funding for new data centres. The Company also subsequently worked with National Australia Bank to upsize its existing $50 million senior debt facility to $100 million with final loan documentation executed in August 2016.



Future performance outcomes will continue to 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 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, 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 2017 financial year period. The at-risk components of executive reward are directly tied to these four strategic drivers. This is intended to focus executives on the areas the Board has identified as most important for delivering the business strategy.

Senior Executive performance under the FY16 STI plan, including for the CEO, is detailed below. The performance for the CEO is assessed by the Remuneration and Nomination Committee. The performance assessment for 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, threshold performance that must be attained prior to any incentive payment must at least meet, or exceed guidance, where provided, and is equal to 95% of budget. Target performance is set above the threshold as a more challenging but achievable level of performance, and is equal to budget. Maximum performance levels at which maximum incentive is payable represents an outstanding level of performance, and is in excess of budget.

For the FY16 period, 80% of the STI opportunity to reported KMP was based upon group level performance metrics, with the remaining 20% being based upon individual STI objectives.

FY16 GROUP LEVEL STI PERFORMANCE TARGETS (80% of Entitlement)

Performance Measure	FY16 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 growing shareholder value. More 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 maximums being exceeded for the FY16 performance period. With regard for commercial-in-confidence concerns, the absolute target hurdles are not disclosed.

For the individual performance KPIs, which had a 20% weighting towards the FY16 STI, outcomes are primarily based on an individual's contribution to delivering specific projects encompassing diverse initiatives.

In evaluating the CEO's FY16 individual performance, the Board took a range of factors into account, including:

- The CEO's contribution towards securing a total of 4.4MW;
- The successful raising of $220 million of additional funding, comprising a fully underwritten $120 million equity raising together with a $100 million Notes II offer; and
- Securing sites for the construction of the Company's second data centre facilities in Brisbane (B2) and Melbourne (M2).

On this basis, the CEO earned 100% of the FY16 STI opportunity that is attributable to individual objectives.

The performance achieved pursuant to individual KPIs for other reported senior executives in FY16 is detailed in the table below.

FY16 INDIVIDUAL STI OBJECTIVES (20% of STI Entitlement)

Name	Objective	Contribution to success	Measurement	Percentage of individual STI achieved	Percentage of overall STI achieved
Simon Cooper COO	Maintain 100% uptime across national data centre network. Achieve and maintain ISO 9001 and ISO 27001 certification across relevant sites. Expand data centre capacity and operate existing data centre facilities within the scope of the Board approved budget.	Maintaining 100% uptime as well as ISO 9001 / ISO 27001:2013 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 27001:2013 certification were achieved for all sites. Data centre operating costs as well as capital expenditure associated with capacity expansions were both within budget.	100%	74%
Oskar Tomaszewski CFO	Develop funding program to support the Company's growth strategy. Ongoing development of financial systems and procedures. Key stakeholder relationship management.	Ensuring NEXTDC maintains an appropriate capital structure allows the Company to optimise its cost of capital. Management of landlords for five of the current data centres and successful negotiation of new head office site and relocation in Brisbane.	Secured additional unsecured debt funding (Notes II) $100m at appropriate cost. Secured additional equity funding in Nov / Dec raising $50m via institutional placement and $70m via an entitlement offer.	100%	74%

FY16 INDIVIDUAL STI OBJECTIVES (20% of STI Entitlement)

Name	Objective	Contribution to success	Measurement	Percentage of individual STI achieved	Percentage of overall STI achieved
Adam Scully Group Executive – Sales and Marketing	Grow the Company's installed base of customers as well as channel partners. Drive cloud and connectivity onramps for ecosystem services depth in CloudCentre. Continued development of brand through customer adoption references.	Growing NEXTDC's recurring revenue base and ongoing rate of new sales leads to improved profitability. Broadening the ecosystem of providers grows both physical and elastic connectivity services across the portfolio. Share of voice drives continued growth in brand awareness and differentiation of services offerings.	NEXTDC finished FY16 with 647 customers and more than 300 channel partners. Addition of Microsoft ExpressRoute, Amazon Web Services Direct Connect and IBM/Softlayer Direct Link available in the services catalogue in CloudCentre. Continued to lead the market with highest overall data centre share of voice.	100%	74%
David Dzienciol Group Executive – Customer and Technology	Design and execute the Business Systems Transformation program for core technology platforms. Global launch of ONEDC DCIMaaS General Availability 3.1. Domestic launch of AXONVX Portal 1.0 platform. Improve the customer experience across the Company's core IT systems. Ongoing improvement in the systems and processes that support Customer Operations and Service Management.	As the Company grows, the importance of automation of systems and procedures allows for scale that supports the Company's inherent operating leverage. ONEDC allows the Company to differentiate itself from competitors as well as generate high margin software-as-a-service 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.	During the course of FY16, a number of programs were successfully rolled out to improve both customer and business experience including: Delivery of new service management, change management and systems management platforms to replace legacy systems. Delivery of productivity, workplace and collaboration suites. Delivery of network and cyber security remediation work streams.	100%	74%

The Board also considered the consequences of high levels of KMP STI achievement and payment together on the Company's financial position, and concluded that financial outcomes after STI payments were substantially and materially better than budgeted. Hence exercise of negative discretion to curtail STI payments was not warranted given these outstanding outcomes.

6. STATUTORY REMUNERATION

6.1 Senior Executive Remuneration

The following table outlines the remuneration received or due to be received by Senior Executives of the Company during the 2016 and 2015 financial years and has been prepared in accordance with the Corporations Act and the relevant accounting standards. The figures provided under the LTI are based on accounting values and do not necessarily reflect actual payments received during the year.

6. STATUTORY REMUNERATION (CONTINUED)

		Basic package					STI		LTI		Termination Benefits		
Name	**Year**	**Salary**	**Super-contributions**	**Other benefits**	**Subtotal**	**% of TRP**	**STI**	**% of TRP**	**LTI**	**% of TRP**	**Term-ination**	**% of TRP**	**Total package**
Craig Scroggie	2016	1,170,000	30,000	-	**1,200,000**	60%	435,900	22%	372,211	18%	-	0%	**2,008,111**
Simon Cooper	2016	430,692	19,308	-	**450,000**	62%	163,463	22%	115,464	14%	-	0%	**728,927**
Oskar Tomaszewski	2016	409,525	20,475	-	**430,000**	61%	156,198	22%	115,652	17%	-	0%	**701,850**
David Dzienciol	2016	380,692	19,308	-	**400,000**	64%	145,300	23%	78,898	13%	-	0%	**624,198**
Adam Scully	2016	355,692	19,308	-	**375,000**	63%	136,219	23%	85,811	14%	-	0%	**597,030**
Total	**2016**	**2,746,601**	**108,399**	**-**	**2,855,000**	61%	**1,037,079**	22%	**768,037**	17%	**-**	0%	**4,660,116**

		Basic package					STI		LTI		Termination Benefits		
Name	**Year**	**Salary**	**Super-contributions**	**Other benefits**	**Subtotal**	**% of TRP**	**STI**	**% of TRP**	**LTI**	**% of TRP**	**Term-ination**	**% of TRP**	**Total package**
Craig Scroggie	2015	1,170,000	30,000	-	**1,200,000**	57%	600,000	29%	297,606	14%	-	0%	**2,097,606**
Simon Cooper	2015	396,217	18,783	-	**415,000**	59%	207,500	29%	83,078	12%	-	0%	**705,578**
Oskar Tomaszewski	2015	233,790	22,210	-	**256,000**	57%	126,066	28%	67,371	15%	-	0%	**449,437**
David Dzienciol	2015	278,344	18,783	-	**297,127**	61%	150,000	31%	41,209	8%	-	0%	**488,336**
Adam Scully	2015	281,217	18,783	-	**300,000**	58%	165,729	32%	54,559	10%	-	0%	**520,288**
Tanya Mangold	2015	59,062	7,780	-	**66,842**	38%	-	0%	-	0%	110,228	5%	**177,070**
Paul Gampe	2015	140,599	7,045	-	**147,644**	91%	-	0%	14,442	9%	-	0%	**162,086**
Paul Jobbins	2015	93,739	6,261	-	**100,000**	96%	-	0%	4,151	4%	-	0%	**104,151**
Annabel Sammut	2015	106,164	11,988	-	**118,152**	46%	-	0%	16,100	6%	123,050	6%	**257,302**
Total - 2015	**2015**	**2,759,132**	**141,633**	-	**2,900,765**	58%	**1,249,295**	25%	**578,516**	12%	**233,278**	5%	**4,961,854**

6.2 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 2016 and 2017 financial years is as follows:

	From 1 July 2015	From 1 July 2016
Board Chair	$180,000 per annum	$190,000 per annum
Non-Executive Directors	$90,000 per annum	$98,000 per annum
Committee Chair	$15,000 per annum	$20,000 per annum
Committee Member	$5,000 per annum	$10,000 per annum

These fees are consistent with the Company's policy of fees being pitched at the median of the market. Remuneration received by Non-Executive Directors in FY16 and FY15 is disclosed below.

Name	Financial year	Board fees	Superannuation	Total
Douglas Flynn	2016	173,516	16,484	190,000
Gregory Clark	2016	100,457	9,543	110,000
Stuart Davis	2016	80,457	29,543	110,000
Elizabeth Gaines	2016	93,080	8,843	101,923
Total	**2016**	**467,510**	**44,413**	**511,924**
Douglas Flynn	2015	164,384	15,616	180,000
Gregory Clark	2015	91,324	8,676	100,000
Stuart Davis	2015	91,324	8,676	100,000
Elizabeth Gaines	2015	-	-	-
Ted Pretty	2015	61,643	5,856	67,499
Total	**2015**	**408,675**	**38,824**	**447,499**

Recommended Non-Executive Director Shareholding

Non-Executive Directors are subject to a recommended shareholding requirement whereby they are encouraged to accumulate shares over a three year period, on their own behalf, in equivalent value to one times their average annual directors' fees over the three years.

6.3 Changes in Securities Held due to Remuneration

Name	Instrument	Balance at start of the year	Granted	Exercised	Lapsed	Balance at end of the year
Craig Scroggie	Loan Funded Shares	1,768,093	-	-	-	1,768,093
Craig Scroggie	Performance Rights	505,618	387,931	-	-	893,549
Simon Cooper	Loan Funded Shares	486,428	-	200,000	-	286,428
Simon Cooper	Performance Rights	174,860	145,474	-	-	320,334
Oskar Tomaszewski	Performance Rights	161,798	139,009	-	-	300,807
Adam Scully	Loan Funded Shares	100,000	-	-	-	100,000
Adam Scully	Performance Rights	126,404	121,228	-	-	247,632
David Dzienciol	Performance Rights	126,404	129,310	-	-	255,714

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 five years. The terms of the Share Plan are such that participants receive an upfront entitlement to a certain number of shares with shares being transferred to the participant in four annual tranches after the participant has repaid the respective loan balance in full. The vesting of these shares is not dependent on performance conditions, only service conditions, and this is one of the reasons that it will no longer be used to make grants.

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

Name	Issue Date	Number of Loan Funded Shares Allocated	Number of Loan Funded Shares Vested	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	-	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	(142,857)	-	1.75	0.22	-	31 Oct 2017
		142,857	142,857	(142,143)	714	1.75	0.35	1,249	31 Oct 2017
		142,857	142,857	-	142,857	1.75	0.45	250,000	31 Oct 2017
		142,857	142,857	-	142,857	1.75	0.53	250,000	31 Oct 2017
Adam Scully	6 June 2013	50,000	37,500	-	50,000	2.00	0.61	100,000	6 June 2018
		50,000	37,500	-	50,000	2.50	0.43	125,000	6 June 2018
TOTAL		**2,439,521**	**2,081,188**	**(285,000)**	**2,154,521**	**-**	**-**		

The number of shares in the loan funded share plan issued to key management personnel and outstanding at the end of the year was 2,154,521 (2015: 2,354,521).

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.

6.4 DIRECTOR AND SENIOR EXECUTIVE SHAREHOLDINGS

During FY16, KMP and their related parties held shares in NEXTDC directly, indirectly or beneficially as follows:

Holder	Opening balance	Received during the year as compensation	Received during the year on the exercise of an option or right	Other changes	Closing balance	Shares held nominally at 30 June 2016
DIRECTORS						
Douglas Flynn	70,000	-	-	63,460	133,460	133,460
Gregory Clark	16,901	-	-	8,099	25,000	25,000
Stuart Davis	20,000	-	-	8,211	28,211	28,211
Elizabeth Gaines	-	-	-	21,606	21,606	-
SENIOR EXECUTIVES						
Craig Scroggie	822,714	-	-	181,962	1,004,676	340,032
Simon Cooper	11,000	-	200,000	(200,000)	11,000	11,000
Oskar Tomaszewski	-	-	-	-	-	-
David Dzienciol	105,993	-	-	17,014	123,007	-
Adam Scully	3,000	-	-	-	3,000	3,000

The Non-Executive Directors of the Company did not receive any shares in NEXTDC on behalf of the Company in respect of the 2015 and 2016 financial reporting periods.

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.

7. External Remuneration Consultant Advice

During the year, the Board engaged independent consultant to provide information on remuneration matters. The Chair of the Remuneration Committee oversees the engagement of remuneration services for, and payment of, the independent consultant.

The Board was satisfied that advice received from these independent consultants was free from any undue influence by key management personnel to whom the advice related, because strict protocols were observed and complied with regarding any interaction between the independent consultants and management. All remuneration advice was provided directly to the Chair of the Remuneration and Nomination Committee. No remuneration recommendations as defined under Part 2D.8 of the Corporations Act 2001, were made by the independent consultants.

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	**2016** **$**	**2015** **$**
(i) Taxation Services		
Tax compliance services	15,670	11,325
(ii) Other services		
Other professional services	37,848	-
Total Remuneration of PwC Australia Non-Audit Services	**53,518**	**11,325**

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 41.

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

23 August 2016

Auditor’s Independence Declaration

As lead auditor for the audit of NEXTDC Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. 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
23 August 2016

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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 (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.	✓ ✓	NEXTDC follows a formal recruitment and assessment process engaging specialist recruiters for the appointment of its Non-Executive Directors. 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 Annual General Meeting.
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.

Principle	Complied	Note
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.
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	Complied	Note
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 (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 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.	✓ ✓ ✓ ✓	The Board has established a Remuneration and Nomination Committee. All of the committee members are independent. Refer to the summary following this table for details of changes during the year. The Chairman, Mr Gregory Clark is an independent Director. The Charter of the Committee is available at NEXTDC's website at www.nextdc.com. Attendance has been separately reported at page 19.
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 directors are independent. The fifth member, Mr Craig Scroggie holds the position of Chief Executive Officer of NEXTDC. Refer to the summary following this table.
2.4 A majority of the board of a listed entity should be independent directors.	✓	Four of the five directors 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, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (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.	✓ ✓ ✓ ✓ ✓	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 It is chaired by Mr Stuart Davis. No Chair of the committee was also Chair of the Board during the period. The Audit and Risk Management Committee Charter is available at NEXTDC's website at www.nextdc.com In relation to qualifications and experience of Directors refer to pages 16-18. In relation to the number of times the committee met and the attendance of Directors please refer to page 19.
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 2016.
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 annual general meeting 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 at 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 these criteria: ▪ the committee has four members who are all independent; and ▪ 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 19.
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 and continues to be sound. 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 FY16, the responsibility for operation of the internal risk management processes was held by the General Counsel, with oversight from the Audit and Risk Management Committee (ARMC). Given the ongoing expansion of the business in terms of both size and complexity, the General Counsel was assisted in this role by the Company's Risk & Compliance Manager. Further, the committee provides oversight to the internal audit function, which also monitors and administers the current risk management framework. Refer also to principle 7 below. The annual internal audit plan focuses on the areas of highest risk 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 13.

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 Nomination 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 Nomination Committee Charter is available on our website at www.nextdc.com In relation to the number of times the committee met and the attendance of Directors please refer to page 19.
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; and
- 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; and
- 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, 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.

Mr Douglas Flynn is an independent Non-Executive Director who was appointed Chairman in April 2014 and continues to hold that position.

As the Company matures the Board has considered its composition and the skills and experience that it feels can complement and add value to its current mix of directors and skill sets.

The Board considers that its current composition is well suited to leading the Company into the next phase of its development and that it 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 current 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;

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;

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;

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.

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

i. has not served on the Board for a period in excess of ten years; or
ii. 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 managers enables them to actively participate in Board decision-making as soon as possible. It ensures that they have a full understanding of the Company's financial position, operations, strategies, culture, values and risk management policies. It also explains the respective rights, duties, responsibilities, interaction and roles of the Board and Senior Executives and the Company's meeting arrangements.

COMMITMENT

The Board held twelve 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 2016, and the number of meetings attended by each Director is disclosed on page 19.

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.

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior written approval of the Board.

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.

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.

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 committees' 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 Codes of Conduct (the Codes) which have been fully endorsed by the Board and applies to all Directors and employees. The Codes are 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 Codes require 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 Securities 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 Codes and the Company's Securities 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 Codes and the Securities 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 including gender and cultural origins, as well as measuring against the effectiveness of any employee programs and initiatives.

In FY16 the Company has continued the focus on the measurable objectives as set out in the Diversity Policy. FY16 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 gender diversity ratio, with an increase from 26% to 28% female representation between 30 June 2015 and 30 June 2016. 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.

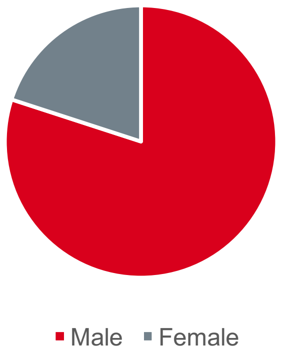
A gender pay audit, which was a measurable objective for FY16, was conducted during the period and the results of this presented to the Board. This is the second year that Company was required to report to the Workplace Gender Equality Agency. The WGEA compliance report can be found on the Company's website at www.nextdc.com.

During FY16, the Company completed a detailed review of each role, the outcome of which demonstrated a balance in pay across genders.

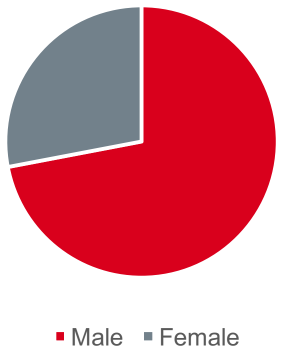
The Company operates a return to work program and this has continued to maintain a 100% success rate. Furthermore, the Company's flexible work arrangement program continues to be promoted internally and use of the program has increased over the past year. As discussed under section Principle 2 above, diversity was a specific consideration in Board selection.

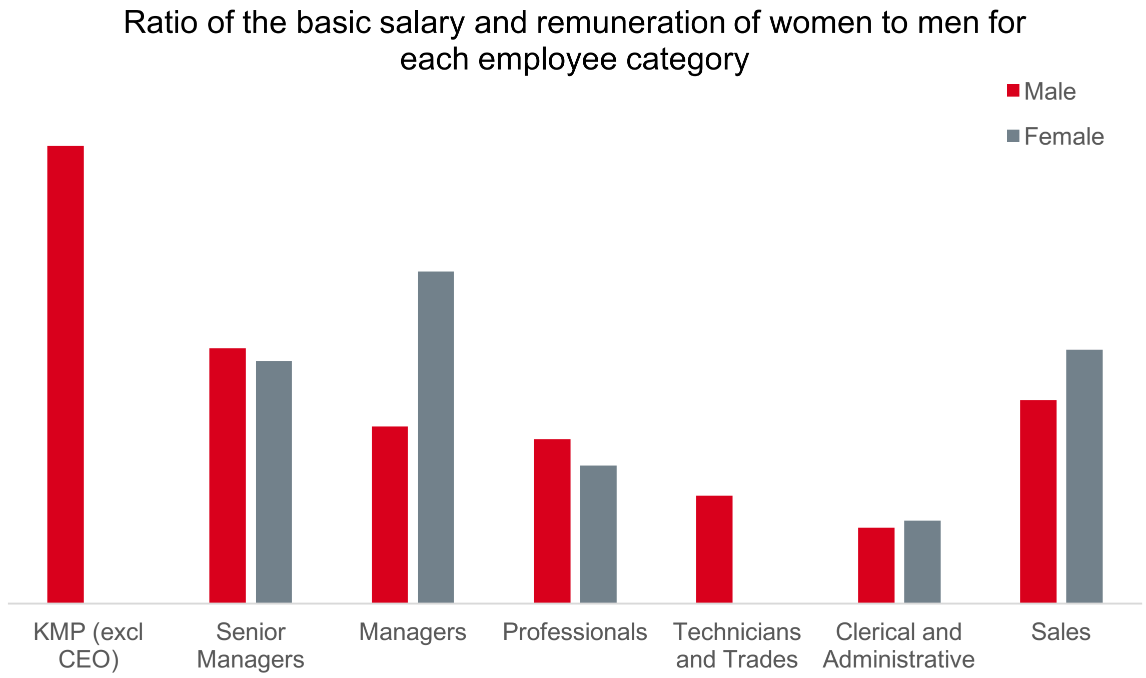
The Company does not discriminate on gender grounds for remuneration or appointments. All remuneration reviews and promotions are determined solely on merit. The Company recruits the most qualified person for any particular role and attempts where possible to consider candidates from a diverse pool of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

Board Members



Whole Organisation





Principle 4: Safeguard integrity in financial reporting

AUDIT AND RISK MANAGEMENT COMMITTEE

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

- Mr Stuart Davis (chair)
- Mr Douglas Flynn
- Mr Gregory Clark
- Ms Elizabeth Gaines

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

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

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

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

- Report to the Board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the Audit and Risk Management Committee:

- receives regular reports from management and the external auditors;
- meets with the external auditors at least once a year, or more frequently if necessary;
- reviews the processes the CEO and CFO have in place to support their certifications to the Board;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved; and
- 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. 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 21 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, shareholders and the public. The Chief Financial Officer is the person responsible for overseeing and coordinating information disclosure to analysts and brokers.

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 if such presentations contain information not already disclosed to the market. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

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

All shareholders receive a copy of the Company's annual 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; and
- reviews compliance with agreed treasury policy.

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

The Internal Audit function assists the Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and continually improving the effectiveness of the risk management framework, internal control and governance processes

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

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

Principle 8: Remunerate fairly and responsibly

REMUNERATION AND NOMINATION COMMITTEE

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

- Dr Gregory Clark (Chair)
- Mr Douglas Flynn
- Mr Stuart Davis
- Ms Elizabeth Gaines

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;
- 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;
- review the Company's diversity policy and monitor diversity within the Company having particular regard to the diversity of Senior Executives and the Board; and
- monitor 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 22 August 2016 and was authorised for issue in accordance with a resolution of the Board of Directors on 22 August 2016.

NEXTDC Limited

ABN 35 143 582 521

Financial report
for the year ended 30 June 2016

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 6,100 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, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 23 August 2016.

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

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2016

	Note	**30 June 2016 $'000**	30 June 2015 $'000
REVENUE FROM CONTINUING OPERATIONS			
Data centre services revenue	2	**89,284**	58,657
Other revenue	2	**3,553**	2,223
Total revenue		**92,837**	**60,880**
OTHER INCOME			
Other income		**559**	213
EXPENSES			
Direct costs		**(9,287)**	(5,553)
Employee benefits expense		**(23,199)**	(19,342)
Data centre facility costs	3	**(20,658)**	(18,866)
Depreciation and amortisation expense		**(17,765)**	(14,148)
Professional fees		**(2,422)**	(1,373)
Marketing costs		**(558)**	(616)
Office and administrative expenses		**(6,007)**	(5,145)
Finance costs	3	**(11,744)**	(6,304)
Profit/(loss) before income tax		**1,756**	**(10,254)**
Income tax benefit/(expense)	18	**-**	-
Profit/(loss) after income tax		**1,756**	**(10,254)**
PROFIT/(LOSS) IS ATTRIBUTABLE TO:			
Owners of NEXTDC Limited		**1,756**	**(10,254)**
OTHER COMPREHENSIVE INCOME/(LOSS)			
Total comprehensive income/(loss)		**1,756**	**(10,254)**
Attributable to:			
Owners of NEXTDC Limited		**1,756**	**(10,254)**
		Cents	Cents
PROFIT/(LOSS) PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE GROUP:			
Basic earnings per share	4	**0.79**	(5.21)
Diluted earnings per share	4	**0.77**	(5.21)

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

Consolidated Balance Sheet
As at 30 June 2016

	Note	**30 June 2016 $'000**	30 June 2015 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**191,393**	52,881
Trade and other receivables	5	**18,070**	8,865
Other assets	6	**11,971**	5,469
Total current assets		**221,434**	**67,215**
NON-CURRENT ASSETS			
Property, plant and equipment	7	**302,746**	221,174
Other assets	6	**1,770**	2,199
Intangible assets	8	**4,294**	2,687
Total non-current assets		**308,810**	**226,060**
TOTAL ASSETS		**530,244**	**293,275**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**27,017**	11,168
Other liabilities		**2,407**	138
Finance lease liability	12	**274**	259
Total current liabilities		**29,698**	**11,565**
NON-CURRENT LIABILITIES			
Other liabilities		**1,312**	111
Provisions		**227**	221
Interest-bearing borrowings	12	**159,547**	59,872
Finance lease liability	12	**6,332**	6,606
Total non-current liabilities		**167,418**	**66,810**
TOTAL LIABILITIES		**197,116**	**78,375**
NET ASSETS		**333,128**	**214,900**
EQUITY			
Contributed equity	10	**375,507**	260,094
Reserves		**3,534**	2,475
Accumulated losses		**(45,913)**	(47,669)
TOTAL EQUITY		**333,128**	**214,900**

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2014		**259,183**	**1,807**	**(37,415)**	**223,575**
Profit/(loss) for the year		-	-	(10,254)	(10,254)
Total comprehensive loss		**-**	**-**	**(10,254)**	**(10,254)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:					
Contributions of equity, net of transaction costs and tax	10(b)	561	-	-	561
Exercise of options / loan funded shares	10	350	-	-	350
Share-based payments	17	-	668	-	668
Balance at 30 June 2015		**260,094**	**2,475**	**(47,669)**	**214,900**
Balance at 1 July 2015		**260,094**	**2,475**	**(47,669)**	**214,900**
Profit/(loss) for the year		-	-	1,756	1,756
Total comprehensive income		**-**	**-**	**1,756**	**1,756**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:					
Contributions of equity, net of transaction costs and tax	10(b)	115,063	-	-	115,063
Exercise of options / loan funded shares	10	350	-	-	350
Share-based payments	17	-	1,059	-	1,059
Balance at 30 June 2016		**375,507**	**3,534**	**(45,913)**	**333,128**

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2016

	Note	**30 June 2016 $'000**	30 June 2015 $'000
OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**94,639**	61,570
Payments to suppliers and employees (inclusive of GST)		**(69,161)**	(56,283)
		25,478	5,287
Interest paid		**(5,806)**	(572)
Payments for bank guarantees		**(983)**	-
Interest received		**3,597**	2,163
Net cash inflow from operating activities	**20**	**22,286**	**6,878**
INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(87,304)**	(22,961)
Cash inflow/(outflow) from/for investment in term deposits		**-**	54,000
Payments for intangible assets		**(2,074)**	(2,540)
Net cash (outflow) inflow from investing activities		**(89,378)**	**28,499**
FINANCING ACTIVITIES			
Finance lease payments		**(259)**	(245)
Proceeds from issues of shares and other equity securities		**120,310**	911
Transaction costs paid in relation to issue of shares		**(4,897)**	-
Proceeds from issue of Notes II		**100,000**	-
Transaction costs in relation to Notes II		**(2,550)**	-
Transfer of funds held in escrow		**(7,000)**	-
Net cash inflow from financing activities		**205,604**	**666**
Net increase in cash and cash equivalents		**138,512**	36,043
Cash and cash equivalents at the beginning of the year		**52,881**	16,838
Cash and cash equivalents at the end of the year		**191,393**	**52,881**

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

Contents of the notes to the consolidated financial report

In preparing the 2016 financial statements, NEXTDC has made a number of changes in structure, layout and wording compared to prior periods in order to make the financial statements less complex and more relevant for stakeholders and other users. Notes have been grouped into the following sections:

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

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

NEXTDC Limited (the Company) is domiciled in Australia. The registered office is Level 6, 100 Creek Street, Brisbane Qld 4000.

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

The consolidated general purpose financial statements of the Group for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 23 August 2016.

The financial statements:

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

-- Have been prepared on a historical cost basis, except for derivative financial instruments and environmental scheme certificates that are carried at their fair value; and trade and other receivables that are initially recognised at fair value, and subsequently measured at amortised cost less accumulated impairment losses;

-- Are presented in Australian dollars;

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

-- Adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2015.

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

Business performance

1 Segment performance

(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:

30 June 2016	**Qld** $'000	**Vic** $'000	**NSW** $'000	**WA** $'000	**ACT** $'000	**Other** $'000	**Total** $'000
Revenue from external customers	13,790	42,540	26,342	5,309	1,303	-	89,284
Direct and facility costs	(2,482)	(10,468)	(9,563)	(4,367)	(3,065)	-	(29,945)
Employee benefits expense	(805)	(1,293)	(1,386)	(1,014)	(640)	(6)	(5,144)
Other expenses	(78)	(161)	(216)	(94)	(120)	(248)	(917)
Segment operating profit/(loss)	**10,425**	**30,618**	**15,177**	**(166)**	**(2,522)**	**(254)**	**53,278**
Depreciation and amortisation	(2,518)	(4,918)	(5,642)	(1,975)	(653)	(1,248)	(16,954)
Finance charge	(382)	-	-	-	-	-	(382)
Segment profit/(loss) before tax	**7,525**	**25,700**	**9,535**	**(2,141)**	**(3,175)**	**(1,502)**	**35,942**
Segment assets	26,801	104,092	102,325	40,242	12,719	6,036	292,215
Unallocated assets	-	-	-	-	-	-	238,009
Total segment assets	**26,801**	**104,092**	**102,325**	**40,242**	**12,719**	**6,036**	**530,224**

30 June 2015	**Qld** $'000	**Vic** $'000	**NSW** $'000	**WA** $'000	**ACT** $'000	**Other** $'000	**Total** $'000
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	**27,752**	**76,143**	**72,520**	**35,667**	**6,770**	**1,398**	**293,275**

There was no impairment charge or other significant non-cash item recognised in 2016 (2015: nil).

1 Segment performance (continued)

(c) Other segment information

(i) Profit/(loss) before tax

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

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

	30 June 2016 $'000	30 June 2015 $'000
Total segment profit/(loss) before tax	**35,942**	14,721
Employee benefits expense (non-facility staff)	**(18,055)**	(14,185)
Interest revenue	**3,532**	2,211
Other income	**579**	225
Finance costs	**(11,362)**	(5,908)
Head office depreciation	**(810)**	(832)
Overheads and other expenses	**(8,070)**	(6,486)
Profit/(loss) before income tax	**1,756**	**(10,254)**

A reconciliation of depreciation and amortisation is provided as follows:

	30 June 2016 $'000	30 June 2015 $'000
Segment depreciation and amortisation expense	**16,954**	13,316
Head office depreciation and amortisation expense	**811**	832
Total depreciation and amortisation expense	**17,765**	**14,148**

(ii) Segment liabilities

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

(d) Segment reporting

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

2 Revenue and other income

	30 June 2016 $'000	30 June 2015 $'000
FROM CONTINUING OPERATIONS		
Data centre services revenue	**89,284**	58,657
Interest income	**3,532**	2,211
Sundry revenue	**21**	12
Subtotal - other revenue	**3,553**	**2,223**
Total revenue	**92,837**	**60,880**

(a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

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 22.

(ii) 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.

3 Expenses

	Note	**30 June 2016 $'000**	30 June 2015 $'000
EXPENSE			
Finance costs	3(a)	**(11,744)**	(6,304)
Data centre rent paid to APDC	3(b)	**(13,209)**	(12,966)

(a) Finance costs

A significant amount of the finance cost of $11.8 million incurred in the year to 30 June 2016 relates to the unsecured notes of $60.0 million which were issued in June 2014 ("Notes I") and subsequent issue of unsecured notes of $100.0 million which were issued in December 2015 ("Notes II").

3 Expenses (continued)

(b) Data centre rent paid to APDC

Asia Pacific Data Centre ("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 $13.2 million (2015: $13.0 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.

4 Earnings per share

(a) Earnings / (losses) per share

	30 June 2016 Cents	30 June 2015 Cents
Total basic earnings / (losses) per share attributable to the ordinary equity holders of the Group	**0.79**	(5.21)

(b) Diluted earnings / (losses) per share

	30 June 2016 Cents	30 June 2015 Cents
Total diluted earnings / (losses) per share attributable to the ordinary equity holders of the Group	**0.77**	(5.21)

4 Earnings per share (continued)

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

	30 June 2016 $'000	30 June 2015 $'000
BASIC EARNINGS PER SHARE		
Profit / (loss) attributable to the ordinary equity holders of the Group used in calculating basic losses per share:		
Profit / (loss) used in calculating basic losses per share	**1,756**	**(10,254)**
DILUTED EARNINGS PER SHARE		
Profit / (loss) from continuing operations attributable to the ordinary equity holders of the Group:		
Used in calculating diluted earnings / (losses) per share	**1,756**	**(10,254)**
Profit / (loss) attributable to the ordinary equity holders of the Group used in calculating diluted losses per share	**1,756**	**(10,254)**

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

	2016 Number of shares	2015 Number of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**221,827,930**	196,877,805
Plus potential ordinary shares	**3,276,112**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**225,104,042**	**196,877,805**

(e) Information concerning the classification of securities

(i) Performance rights

Performance rights are considered to be potential ordinary shares and have been included in the calculation of diluted earnings per share. However, they are not included in the calculation where the inclusion would result in decreased losses per share.

(ii) Loan funded shares

For the purposes of diluted earnings per share calculations, loan funded shares granted to employees are considered potential ordinary shares and have been included in the calculation of diluted earnings per share. However, they are not included in the calculation where the inclusion would result in decreased losses per share.

(f) 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.

(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 weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Operating assets and liabilities

5 Trade and other receivables

	Note	**30 June 2016 $'000**	30 June 2015 $'000
Trade receivables		**16,963**	8,876
Provision for impairment	5(a)	**(983)**	(371)
		15,980	**8,505**
Interest receivable	5(c)	**105**	170
GST receivable		**1,979**	189
Other receivables		**6**	1
Total		**18,070**	**8,865**

(a) Impaired trade receivables

The ageing of these receivables is as follows:

	30 June 2016 $'000	30 June 2015 $'000
1 to 3 months	**21**	117
4 months or greater	**962**	254
Total impaired trade receivables	**983**	**371**

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

	30 June 2016 $'000	30 June 2015 $'000
Opening balance	**371**	-
Provision for impairment recognised during the year	**612**	371
Closing balance	**983**	**371**

(b) Past due but not impaired

As at 30 June 2016, trade receivables of approximately $4.5 million (2015: $1.7 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:

	30 June 2016 $'000	30 June 2015 $'000
Up to 3 months	**1,140**	1,205
More than 3 months	**3,409**	529
Total past due but not impaired	**4,549**	**1,734**

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.

5 Trade and other receivables (continued)

(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 11.

(d) 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.

6 Other assets

	Note	**30 June 2016 $'000**	30 June 2015 $'000
CURRENT			
Prepayments		**3,013**	1,082
Security deposits	6(a)	**7,564**	3,081
Customer incentives	6(b)	**1,147**	1,092
Other current assets		**247**	214
Total other assets - current		**11,971**	**5,469**
NON-CURRENT			
Customer incentives	6(b)	**1,770**	2,199
Total other assets - non-current		**1,770**	**2,199**

(a) Security deposits

Included in the security deposits was $4.1 million (2015: $3.1 million) relating to deposits held as security for bank guarantees and $3.5 million of deposits held in escrow which relate to the Notes II coupon payment due in December 2016.

(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.

7 Property, plant and equipment

Movements	Assets in the course of construction $'000	Land and buildings $'000	Plant and machinery $'000	Computer equipment $'000	Office furniture and equipment $'000	Total $'000
30 June 2016						
Opening net book amount	21,578	7,949	189,517	1,601	529	221,174
Additions	97,784	-	53	1,444	87	99,368
Depreciation charge	-	(487)	(14,982)	(1,608)	(221)	(17,298)
Disposal	(498)	-	-	-	-	(498)
Transfer	(56,005)	8,684	42,539	4,258	524	-
Closing net book amount	**62,859**	**16,146**	**217,127**	**5,695**	**919**	**302,746**
Cost	62,859	18,420	258,628	9,552	1,769	351,228
Accumulated depreciation	-	(2,274)	(41,501)	(3,857)	(850)	(48,482)
Net book amount	**62,859**	**16,146**	**217,127**	**5,695**	**919**	**302,746**
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**

LEASED ASSETS

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

	30 June 2016 $'000	30 June 2015 $'000
Buildings – at cost	**7,665**	7,665
Accumulation depreciation	**(1,830)**	(1,446)
Net book amount	**5,835**	**6,219**

(a) Property, plant and equipment

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

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

7 Property, plant and equipment (continued)

(a) Property, plant and equipment (continued)

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 straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the lease term (if shorter) as follows:

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

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

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

(b) 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 payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset’s useful life or over the shorter of the asset’s useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 13). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

8 Intangible assets

	30 June 2016 $'000	30 June 2015 $'000
Rights and licences	**58**	74
Internally generated software	**4,236**	2,613
Total intangible assets	**4,294**	**2,687**

Movements	**Rights and licenses $'000**	**Internally generated software $'000**	**Total $'000**
30 June 2016			
Opening net book amount at 1 July 2015	74	2,613	2,687
Additions - internal development	-	2,074	2,074
Amortisation	(16)	(451)	(467)
Closing net book amount	**58**	**4,236**	**4,294**
At 30 June 2016			
Cost	91	4,687	4,778
Accumulated amortisation	(33)	(451)	(484)
Net book amount	**58**	**4,236**	**4,294**
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**
At 30 June 2015			
Cost	91	2,613	2,704
Accumulation amortisation and impairment	(17)	-	(17)
Net book amount	**74**	**2,613**	**2,687**

(a) 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.

8 Intangible assets (continued)

(a) Intangible assets (continued)

LICENCES (continued)

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.

Capital and financial risk management

9 Capital risk management

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

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

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

	30 June 2016 $'000	30 June 2015 $'000
Total borrowings (including trade and other payables)	**166,154**	77,905
Less: cash, cash equivalents and term deposits	**(191,393)**	(52,881)
Net debt (surplus cash)	**(25,239)**	**25,024**
Total equity	**333,128**	214,900
Total capital	**307,889**	**239,924**
Gearing ratio	**-%**	**10.4%**

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.

10 Contributed equity

(a) Share capital

	Note	**30 June 2016 Number of Shares**	**30 June 2016 $**	30 June 2015 Number of Shares	30 June 2015 $
Fully paid ordinary shares	10(c)	**244,603,252**	**375,506,641**	193,700,200	260,094,315
Treasury shares	10(e)	**3,181,030**	**6,977,749**	3,381,030	7,327,749
Total share capital		**247,784,282**	**382,484,390**	**197,081,230**	**267,422,064**

10 Contributed equity (continued)

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	$'000
1 July 2014	Opening balance		196,831,230	267,072
27 April 2015	Conversion of options to shares		250,000	350
	Sub-total		**197,081,230**	**267,422**
	Less shares held by NEXTDC Share Plan Pty Ltd	(e)	(3,381,030)	(7,328)
30 June 2015	**Balance**		**193,700,200**	**260,094**

Date	Details	Note	Number of shares	$'000
1 July 2015	Opening balance		197,081,230	267,422
4 December 2015	Issue of capital		50,703,052	119,964
4 December 2015	Transaction costs		-	(4,902)
12 April 2016	Conversion of loan funded shares	(e)	200,000	350
12 April 2016	Adjustment from loan funded shares	(e)	(200,000)	(350)
	Sub-total		**247,784,282**	**382,484**
30 June 2016	Less shares held by NEXTDC Share Plan Pty Ltd	(e)	(3,181,030)	(6,978)
30 June 2016	**Balance 30 June 2016**		**244,603,252**	**375,507**

(c) Ordinary shares

In December 2015, the Group issued an additional 50,703,052 ordinary shares at an average price of $2.37.

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) 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.

(e) 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.

10 Contributed equity (continued)

(e) Loan funded share plan (continued)

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 3,181,030 (2015: 3,381,030) 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 $350,000 were received during the year (2015: $561,250).

	30 June 2016	30 June 2015
Number of loan-funded shares held by key management personnel	**2,154,521**	2,354,521
Number of shares held by other staff	**164,696**	164,696
Shares held by the Trust but not allocated	**861,813**	861,813
Total number of loan-funded shares	**3,181,030**	**3,381,030**

(f) Dividend reinvestment plan

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

11 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 2016, the Group had a $50.0 million debt facility with National Australia Bank ("NAB") which had not been drawn. On 11 August 2016, the Group renegotiated its debt facility from $50.0 million to $100.0 million with NAB. As at the date of this 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:

	30 June 2016 $'000	30 June 2015 $'000
FINANCIAL ASSETS		
Cash and cash equivalents	**191,393**	52,881
Trade and other receivables	**18,070**	8,865
Total financial assets	**209,463**	**61,746**
FINANCIAL LIABILITIES		
Trade and other payables	**27,017**	11,168
Unsecured notes	**159,547**	59,872
Finance lease liabilities	**6,606**	6,865
Total financial liabilities	**193,170**	**77,905**

(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.

11 Financial risk management (continued)

(a) Market risk (continued)

(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 and its senior debt facility (refer to Note 12(b)) which remained undrawn at 30 June 2016.

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

SENSITIVITY

At 30 June 2016, 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 $961,586 higher / $961,586 lower (2015: $462,485 higher / $462,485 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:

	30 June 2016 $'000	30 June 2015 $'000
CASH AT BANK AND SHORT-TERM DEPOSITS		
A rated	**-**	15,004
AA rated	**191,393**	37,876
TOTAL	**191,393**	**52,880**

In determining the credit quality of these financial assets, NEXTDC has used the long-term rating from Standard & Poor's as of July 2016.

(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.

11 Financial risk management (continued)

(b) Credit risk (continued)

As at 30 June 2016, ten (10) customers owed the Group $14.0 million and accounted for approximately 80% of all the trade receivables owed to the Group. Revenues from data centre services of $24.4 million were derived from one customer (2015: $17.0 million from one customer) whose revenue comprised more than 27% of total data centre services revenue.

FINANCING ARRANGEMENTS

At 30 June 2016, the Group had a corporate debt facility with National Australia Bank to the value of $50.0 million. On 11 August 2016, NEXTDC announced to the market that it entered into a new $100.0 million senior secured debt facility with its relationship bank, National Australia Bank. This facility will replace the Company's existing undrawn $50.0 million senior secured debt facility providing with additional financial flexibility and may be used to fund the Company's working capital and data centre fit out requirements.

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 non-derivative 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**
2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade payables	**23,565**	**-**	**-**	**23,565**	**23,565**
Unsecured notes	**11,800**	**191,600**	**-**	**203,400**	**159,547**
Finance lease liabilities	**641**	**2,565**	**6,734**	**9,940**	**6,606**
Total non-derivatives	**36,006**	**194,165**	**6,734**	**236,905**	**189,718**
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**

(c) 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 12(d) and Note 12(e).

12 Interest-bearing loans and borrowings

	Note	**30 June 2016 $'000**	30 June 2015 $'000
CURRENT			
Finance lease - secured		**274**	259
NON-CURRENT			
Finance lease - secured		**6,332**	6,606
Unsecured notes	12(a)	**159,547**	59,872
Total non-current interest bearing loans and borrowings		**165,879**	**66,478**
Total interest-bearing loans and borrowings		**166,153**	**66,737**

(a) Unsecured Notes

The Group has issued $60.0 million ("Notes I") and $100.0 million ("Notes II") in unsecured notes which mature in June 2019. Notes I has a face value of $60.0 million with a fixed rate of 9%. 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. Notes II has a face value of $100.0 million with a fixed rate of 8.25%. The coupon rate is 7.0% (paid semi-annually) and a 1.25% premium will be paid on redemption of the note for each year (or part thereof) that it is held.

Although both offers of Notes mature in June 2019, the Group may repay them as early as December 2016 and then every six months, or at any other time subject to change of control or a change in withholding tax legislation. Notes I and II are recognised at fair value net of transaction costs which are subsequently amortised using the effective interest rate method.

(b) Bank Loan

As at 30 June 2016, NEXTDC had access to a $50.0 million corporate debt facility (undrawn at the date of this report). The corporate debt facility is secured by first mortgages over the Group's assets. Subsequent to the end of FY16, NEXTDC was successful in upsizing its undrawn senior secured debt facility with the Company's relationship bank, National Australia Bank ("NAB") from $50.0 million to $100.0 million. The new debt facility, which is subject to financial and reporting covenants, expires on 31 March 2018.

(c) Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2016 financial year (2015: complied).

(d) Fair value – bank borrowings

Whilst NEXTDC has an existing $50.0 million bank facility, the facility remained undrawn as at 30 June 2016.

(e) Fair value – unsecured notes

Material differences are identified for the following borrowings:

	2016		2015	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Unsecured notes	**159,547**	**163,200**	59,872	60,600

12 Interest-bearing loans and borrowings (continued)

(e) Fair value – unsecured notes (continued)

(f) 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.

Items not recognised

13 Commitments

(a) Capital commitments

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

	30 June 2016 $'000	30 June 2015 $'000
Property, plant and equipment	**38,681**	10,748
Total capital commitments	**38,681**	**10,748**

Capital commitments disclosed above relate to the acquisition of property, plant and equipment.

(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.

	30 June 2016 $'000	30 June 2015 $'000
Within one year	**17,411**	16,014
Later than one year but not later than 5 years	**69,226**	63,293
Later than 5 years	**121,619**	116,711
Total lease commitments	**208,256**	**196,018**

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

(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.

13 Commitments (continued)

(b) Lease commitments: Group as lessee (continued)

	30 June 2016 $'000	30 June 2015 $'000
Within one year	**641**	641
Later than one year but not later than 5 years	**2,565**	2,565
Later than 5 years	**6,734**	7,429
Minimum lease payments	**9,940**	**10,635**
Future finance charges	**(3,334)**	(3,770)
Recognised as a liability	**6,606**	**6,865**
The present value of finance lease liabilities is as follows:		
Within one year	**274**	259
Later than one year but not later than 5 years	**1,265**	1,196
Later than 5 years	**5,067**	5,410
Total finance lease liabilities	**6,606**	**6,865**

14 Contingencies

(a) Contingent assets

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

(b) Contingent liabilities

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

GUARANTEES

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

15 Events occurring after the reporting period

On 11 August 2016, NEXTDC announced to the market that it has entered into a new $100 million senior secured debt facility with its relationship bank, National Australia Bank. This facility will replace the Company's existing undrawn $50 million senior secured debt facility providing with additional financial flexibility and may be used to fund the Company's working capital and data centre fit out requirements.

Employee remuneration

16 Key management personnel

(a) Key management personnel compensation

	30 June 2016 $	30 June 2015 $
Short-term employee benefits	**4,251,191**	4,417,102
Post-employment benefits	**152,812**	180,457
Termination benefits	**-**	233,278
Share-based payments	**768,037**	578,516
Total key management personnel compensation	**5,172,040**	**5,409,353**
Comprising		
Senior Executives	**4,660,116**	4,961,854
Non-Executive Directors	**511,924**	447,499
Total	**5,172,040**	**5,409,353**

Detailed remuneration disclosures are provided in the Remuneration Report.

(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 (2015: nil).

(c) Other transactions with key management personnel

There were no other transactions with key management personnel during the year (2015: nil).

17 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. Performance rights were granted in FY15 and FY16. The vesting conditions, which relate to TSR exceeding the All-Ordinaries over the same measurement period, will be tested on 30 June 2017 and 30 June 2018 respectively.

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

The fair value of the rights at the date of valuation, 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. Volatility factors used in the calculation ranged between 33.87% and 36.59%.

17 Share-based payments (continued)

(a) Performance rights (continued)

	30 June 2016 Number of Rights	**30 June 2016 Average Fair Value**	30 June 2015 Number of Rights	30 June 2015 Average fair value
Opening balance	**1,303,344**	**$1.05**	-	$0.00
Granted during the year	**1,352,771**	**$1.18**	1,368,653	$1.05
Vested during the year	**-**	**$0.00**	-	$0.00
Forfeited during the year	**(39,814)**	**$0.98**	(65,309)	$0.98
Closing balance	**2,616,301**	**$1.13**	**1,303,344**	**$1.05**

(b) Loan Funded Share Plan

Shares have been 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 3,181,030 (2015: 3,381,030) 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.

	30 June 2016 Number of Shares	**30 June 2016 Average Exercise Price**	30 June 2015 Number of Shares	30 June 2015 Average Exercise Price
As at 1 July	**2,519,217**	**$2.17**	3,400,645	$2.15
Granted during the year	**-**	**-**	-	-
Settled/repaid during the year	**(200,000)**	**$1.75**	(295,714)	$1.90
Forfeited during the year	**-**	**-**	(585,714)	$2.24
As at 30 June (allocated to employees)	**2,319,217**	**$2.21**	**2,519,217**	**$2.17**
Vested and exercisable at 30 June	**1,877,194**	**$2.20**	1,323,792	$2.13

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:

17 Share-based payments (continued)

(b) Loan Funded Share Plan (continued)

	30 June 2016	30 June 2015
Number of loan funded shares issued to employees	**2,319,217**	2,519,217
Number of loan funded shares unallocated	**861,813**	861,813
Total number of loan funded shares on issue	**3,181,030**	**3,381,030**

The weighted average remaining life of the loan funded shares was 1.37 years (2015: 2.30 years) and the exercise prices ranged from $1.75 to $3.00.

(c) Expenses arising from share-based payment transactions

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

	30 June 2016 $'000	30 June 2015 $'000
Rights to deferred shares	**73**	243
Performance rights	**987**	425
Total expenses arising from share-based payment transactions	**1,060**	**668**

Other

18 Income tax

Income tax expense

	30 June 2016 $'000	30 June 2015 $'000
Current tax	**363**	-
Utilisation of tax attributes that have not previously been booked	**(363)**	-
Sub-total	**-**	**-**
Income tax expense is attributable to:		
Aggregate income tax expense	**-**	**-**
Deferred income tax revenue included in income tax credit comprises:		
Decrease in deferred tax assets (Note 19(a))	**247**	173
(Decrease) in deferred tax liabilities (Note 19(b))	**(247)**	(173)
Sub-total	**-**	**-**

Numerical reconciliation of income tax expense to prima facie tax payable

	30 June 2016 $'000	30 June 2015 $'000
Profit from continuing operations before income tax expense	**1,756**	(10,254)
Tax credit at the Australian tax rate of 30%	**527**	(3,076)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	**13**	26
Share-based payments	**318**	200
Current year tax losses for which no deferred tax asset has been recognised (Note 18)	**-**	3,310
Temporary timing differences (re-recognised)	**(495)**	(460)
Previously unrecognised tax losses now recouped to reduce current tax expense	**(363)**	-
Income tax expense	**-**	**-**

Tax losses

	30 June 2016 $'000	30 June 2015 $'000
Unused tax losses for which no deferred tax asset has been recognised	**42,081**	42,620
Potential tax benefit @ 30.0%	**12,624**	12,786

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.

18 Income tax (continued)

Income tax (continued)

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

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

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

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

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

19 Deferred tax

(a) Deferred tax assets

	30 June 2016 $'000	30 June 2015 $'000
The balance comprises temporary differences attributable to:		
Provisions for doubtful debts	**205**	111
Employee benefits	**1,006**	770
Expenses deductible in future years	**82**	68
Revenue received in advance	**33**	44
Borrowing costs	**382**	140
Make good provision	**-**	66
Black-hole expenditure deductible in future years	**1,781**	1,197
Finance lease provisions	**1,982**	2,060
Total deferred tax assets	**5,471**	**4,456**
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 19(b))	**(2,657)**	(2,904)
Deferred tax assets not recognised	**(2,814)**	(1,552)
Net deferred tax assets	**-**	**-**

(b) Deferred tax liabilities

	30 June 2016 $'000	30 June 2015 $'000
The balance comprises temporary differences attributable to:		
Accrued interest	**31**	51
Finance lease asset	**875**	1,866
Customer incentives	**1,751**	987
Total deferred tax liabilities	**2,657**	**2,904**
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 19(b))	**(2,657)**	(2,904)
Net deferred tax liabilities	**-**	**-**
Deferred tax liabilities expected to be settled within 12 months	**776**	430
Deferred tax liabilities expected to be settled after more than 12 months	**1,881**	2,474
Total	**2,657**	**2,904**

20 Reconciliation of profit after income tax to net cash inflow from operating activities

	30 June 2016 $'000	30 June 2015 $'000
Profit/(Loss) for the year after income tax	**1,756**	**(10,254)**
Depreciation and amortisation	**17,765**	14,148
Non-cash employee benefits expense share-based payments	**1,059**	668
CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) in trade debtors	**(6,742)**	(2,521)
(Increase) in prepayments and other current assets	**(498)**	(1,965)
(Increase) / decrease in interest receivable	**65**	(48)
(Increase) in cash used in bank guarantee	**(983)**	-
(Increase) in other assets	**(251)**	(597)
(Increase) / decrease in GST	**(1,296)**	314
Decrease in customer incentives	**375**	140
Increase in trade payables	**1,306**	406
Increase in other operating liabilities	**3,517**	122
Increase in employee entitlements	**709**	563
Increase in revenue in advance	**-**	11
(Decrease) / increase in other provisions	**(221)**	186
Increase in interest payable	**5,725**	5,705
Net cash inflow from operating activities	**22,286**	**6,878**

21 Remuneration of auditors

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

(a) PwC Australia

	2016 $	2015 $
AUDIT AND OTHER ASSURANCE SERVICES		
Audit and review of financial statements	**185,453**	170,088
TAXATION SERVICES		
Tax compliance services	**15,670**	11,325
OTHER SERVICES		
Other professional services	**37,848**	-
Total remuneration of PwC Australia	**238,971**	**181,413**

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.

21 Remuneration of auditors (continued)

(a) PwC Australia (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.

22 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of NEXTDC Limited and its subsidiaries. NEXTDC 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 2015 to 30 June 2016. The comparative reporting period is 1 July 2014 to 30 June 2015.

(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 2015 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 2015.

(iv) Historical cost convention

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

22 Summary of significant accounting policies (continued)

(c) Critical accounting estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

(i) Deferred taxation

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 2016, NEXTDC did not recognise any tax assets on carried-forward tax losses (2015: 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 C1 lease and its three leases (M1, S1 and P1) with APDC Group as operating leases after giving consideration to the criteria outlined in *AASB 117 Leases.*

(d) 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.

(e) Share-based payments reserve

The share-based payments reserve is used to recognise:
• the grant date fair value of long-term incentives issued to participants
• the grant date fair value of shares issued to participants
• the issue of shares held by NEXTDC Share Plan Pty Ltd

(f) Functional and presentation currency

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

(g) Impairment of assets

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

(h) Cash and cash equivalents

For the purpose of presentation in the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

22 Summary of significant accounting policies (continued)

(i) 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 5.

(j) 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.

(k) 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.

(l) 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.

22 Summary of significant accounting policies (continued)

(l) Provisions (continued)

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

(m) 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.

OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

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.

(n) Rounding of amounts

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

(o) 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.

22 Summary of significant accounting policies (continued)

(o) Goods and Services Tax (GST) (continued)

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.

(p) Parent entity financial information

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

(q) New and amended standards adopted by the Company

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2015 that have a material impact on the Group.

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 16 Leases

AASB 16 Leases addresses the recognition, measurement, presentation and disclosure of leases.

This standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with AASB 16's approach to lessor accounting substantially unchanged from its predecessor, AASB 117. This standard applies to annual reporting periods beginning on or after 1 January 2019.

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.

(r) 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.

Directors' Declaration
30 June 2016

In the Directors' opinion:

(a) the financial statements and notes set out on pages 60 to 97 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 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 22 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

Craig Scroggie
Director

Sydney
23 August 2016

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 2016, 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 22, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

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

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 22.

Report on the Remuneration Report

We have audited the remuneration report included in pages 20 to 39 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan

Michael Shewan
Partner

Brisbane
23 August 2016

Shareholder information
30 June 2016

The following shareholder information was applicable as at 29 July 2016.

Distribution of equity securities

Holding	Number of investors	Number of securities
100,001 and over	128	194,275,869
10,001 - 100,000	1,346	32,698,394
5,001 - 10,000	1,197	9,114,219
1,001 - 5,000	2,700	7,697,427
1 - 1000	1,729	817,343
Total	**7,100**	**244,603,252**
Unmarketable parcels	310	2,304

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	69,310,704	28.34%
2. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	31,157,255	12.74%
3. NATIONAL NOMINEES LIMITED	19,387,745	7.93%
4. CITICORP NOMINEES PTY LIMITED	17,266,999	7.06%
5. BNP PARIBAS NOMINEES PTY LTD	6,125,665	2.05%
6. BNP PARIBAS NOMS PTY LTD	4,785,654	1.96%
7. UBS NOMINEES PTY LTD	4,460,790	1.82%
8. BNP PARIBAS NOMS (NZ) LTD	1,974,431	0.81%
9. CS FOURTH NOMINEES PTY LIMITED	1,590,159	0.65%
10. BOND STREET CUSTODIANS LTD	1,232,319	0.50%
11. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,180,883	0.48%
12. FORESTER INVESTMENTS PTY LIMITED	1,026,250	0.42%
13. JH NOMINEES AUSTRALIA PTY LTD	1,000,000	0.41%
14. CADENCE (90) INVESTMENTS NO 1 PTY LTD	961,835	0.39%
15. ROCKET SCIENCE PTY LTD	950,000	0.39%
16. THE TRUST COMPANY (SUPERANNUATION) LTD	908,521	0.37%
17. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	889,308	0.36%
18. CITICORP NOMINEES PTY LIMITED	871,646	0.36%
19. THE TRUST COMPANY SUPERANNUATION LIMITED	791,479	0.32%
20. BNP PARIBAS NOMINEES PTY LTD	766,000	0.31%
	166,637,643	**67.67%**

Shareholder information
30 June 2016
(continued)

Unquoted equity securities	**Number on issue**	**Number of holders**
Performance rights - issued in FY15	1,263,530	13
Performance rights - issued in FY16	1,352,771	13

Substantial holders

Substantial holders	**Number held**	**Percentage of issued shares**
The Goldman Sachs Group, Inc.	24,221,519	9.90%
H.E.S.T. Australia Limited	23,711,801	9.69%
AustralianSuper Pty Ltd	20,391,530	8.34%
Bennelong Funds Management Group Pty Ltd	14,803,124	6.05%
Ryder Investment Management Pty Ltd	14,794,158	6.05%
PM CAPITAL Limited	12,886,320	5.27%

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.

NEXTDC Limited
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* Michael Helmer *Company Secretary* **NEXTDC Limited** Level 6,100 Creek Street Brisbane Qld 4000 Tel: +61 7 3177 4777 www.nextdc.com PricewaterhouseCoopers Riverside Centre 123 Eagle Street Brisbane Qld 4000 +61 7 3257 5000 Clayton Utz Level 28, Riparian Plaza 71 Eagle Street Brisbane Qld 4000 Herbert Smith Freehills ANZ Tower 161 Castlereagh Street Sydney NSW 2000 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.