Results for announcement to the market

For the year ended 30 June 2017
(Previous corresponding period: to 30 June 2016)

Summary of Financial Information

	Note	2017 $'000	2016 $'000	Change $'000	Change %
Revenue from ordinary activities		123,550	92,837	30,713	33%
Profit/(loss) from ordinary activities after income tax for the period attributable to members	1	22,999	1,756	21,243	NMF[1]
Profit/(loss) after income tax attributable to members	1	22,999	1,756	21,243	NMF

1. Included in profit after income tax is an income tax benefit of $10.2 million which is primarily due to the recognition of accumulated tax losses as deferred tax assets.

Dividends

No dividend has been proposed or declared in respect of the year ended 30 June 2017.

Net tangible assets

	2017	2016
Basic net tangible asset backing per ordinary share	$1.75	$1.36

Refer to the attached audited Financial Report for additional disclosures.

[1] NMF = Not meaningful

NEXTDC

FY17

ANNUAL REPORT

1 JULY 2016 TO 30 JUNE 2017

NEXTDC Limited ABN 35 143 582 521

NEXTDC

FY17

ANNUAL REPORT

FOR THE YEAR 1 JULY 2016 TO 30 JUNE 2017

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 2017 ("FY17") and another period of significant growth and strategic achievements.

Last year we wrote about how NEXTDC expanded the delivery of direct, secure connectivity to the world's leading cloud platforms via our AXON Ethernet connectivity platform, won significant new data centre service contracts through our engineering and commercial excellence, and embarked on the development of two new world-class, next-generation data centres.

This year we have continued to expand the capacity of our existing facilities, while announcing the development of a third new data centre, S2 Sydney, on the back of a new customer contract that took the contracted utilisation at S1 Sydney past 80 percent. The B2 and M2 data centres are rapidly nearing the point of opening in record time, thanks to NEXTDC's continuous development methodology, and deep experience with construction and infrastructure supply partners.

Key operational and financial metrics

In FY17 NEXTDC achieved significant year-on-year growth across key operational and financial metrics:

- Revenue increased 33% to $123.6 million
- Contracted utilisation increased 5.4MW to 31.5MW
- EBITDA increased 77% to $49.0 million
- Statutory net profit of $23.0 million, compared to a net profit of $1.8 million in FY16
- Operating cash flow increased by $22.6 million to $44.9 million
- $159 million of capital expenditure was incurred
- Cash and term deposits of $368.3 million at 30 June 2017

In September 2016 NEXTDC became a member of the S&P/ASX 200 Index for the first time.

Enabling Australia's digital economy

Australia is experiencing unprecedented demand for cloud and enterprise colocation, and NEXTDC is expanding its overall capacity with the planned launch of three new data centres in Melbourne (M2), Brisbane (B2) and Sydney (S2), which will have direct connectivity to our existing facilities in those cities, and the customers and partners colocated within them.

At full fit-out, these three world-class facilities alone will almost triple the originally planned capacity of our five existing data centres, and underscore NEXTDC's position as Australia's leading colocation data centre operator.

The first orders for B2 and M2 have been won before opening, with customers being encouraged by the reputation of the existing data centres and the connectivity between NEXTDC facilities within each city, which will create a seamless connection between the two ecosystems.

NEXTDC data centres now serve more than 750 customers and over 350 partners, all connected to each other via 6,300 cross connects – a key indicator of the ongoing and rapid growth of the facilities' ecosystems.

NEXTDC is supporting homegrown technical innovation, winning a number major new customers – such as Amazon Web Services' first two hosting locations for the AWS Direct Connect cloud on-ramp outside of Sydney, in Melbourne and Canberra.

Power, secure, connect

NEXTDC is playing a key role by supporting Australia's digital economy with essential infrastructure, and is delivering its benefits to the 'edge' of the internet, with major data centre investment and service delivery outside Australia's traditional business hubs of Sydney and Melbourne, in Perth, Canberra and Brisbane.

The process of testing and tuning NEXTDC's data centres to optimise energy efficiency and stability has seen a marked improvement in the facilities' power usage effectiveness. In the past 12 months S1 and M1 achieved a NABERS 4.5-star rating for energy efficiency, and the average PUE throughout the year across all NEXTDC data centres is now 1.36, well below our target of 1.40. This is an important endorsement of these facilities, supporting customers' requirement for sustainability and reflects the leadership role in energy efficiency that NEXTDC is committed to.

The P1 Perth data centre achieved Tier III GOLD Certification of Operational Sustainability from the Uptime Institute (UTI) – the leading independent data centre advisory and certification organisation. This signifies the staff and vendors at P1 have been trained to operate and maintain the data centre in accordance with the UTI's best practices. This certification program will continue to rollout across other NEXTDC data centres throughout FY18.

In the past 12 months, the 27-year-old C1 Canberra data centre (originally established by the Australian Tax Office) has been completely re-birthed. A complete upgrade with entirely new critical plant infrastructure was performed while the facility was live, without any disruption to services. This project delivered key improvements in the site's efficiency and was instrumental in AWS establishing a Direct Connect point-of-presence at C1, giving new opportunities for local partners and on-demand services for their customers in the ACT.

In April 2017, NEXTDC's B2 Brisbane data centre was awarded UTI Tier IV certification for design documents, a valuable endorsement of its built in ability to withstand individual equipment failures or distribution path interruptions and maintain IT operations. This achievement represents the evolution of NEXTDC's data centre design from the current Tier III standard to the even more robust Tier IV, UTI's highest certification. We intend for each new facility to receive UTI Tier IV Constructed Facility certification as part of their planned completion. This will deliver the first UTI Tier IV design and construction-certified facilities in operation in Australia, supported throughout their life by a GOLD standard operational organisation.

Customer demand has seen NEXTDC develop innovative ways to increase data centre capacity beyond the original designs, with higher power densities and additional data halls. Our facilities' power consumption is increasing as they become more populated, and their overall energy efficiency improves similarly over time through economies of scale and increased utilisation of the infrastructure.

Other operational achievements in FY17 include gaining ISO 14001:2015 certification for our environmental management systems at C1, M1 and S1; and the maturing of the Company's business continuity plans, including the successful completion of a live test of the Company's ability to respond to emergency events.

Customer experience key to success

Customer experience is rapidly becoming the new commercial battlefield, and companies expect world-class customer experiences for themselves and their business partners. NEXTDC has continued to develop its internal systems and processes in FY17 with the ongoing implementation of online platforms to automate and integrate the management of the entire customer journey through the 'lifecycle' of their data centre service with NEXTDC.

We are studying the use of Artificial Intelligence and Machine Learning based systems that leverage our data to gain deeper insight for further improvement of operational excellence in power and cooling efficiency, and focus on adding more value to our products and world-class experiences for our customers.

Major customer-focussed projects in FY17 include the migration and automation of our change management process and procedures, to better monitor and manage maintenance and service delivery. We also began a range of ongoing initiatives to gain insight into our customers' needs, and identify opportunities that will help them throughout their buying and usage journey.

Teams under the Customer & Technology banner also built and delivered the next iteration of ONEDC, which features enhanced core functionality and the initial release of advanced management features. Throughout FY18 they will also be deploy our second generation unified communications and DC systems platform, as well as delivering our new range of inter-data centre connectivity solutions.

The single largest initiative for the second half of FY17 has been the Quote-to-Cash project (QtC), which will provide significant efficiency gains and improved customer interactions from quote to bill. This project will streamline the end-to-end process of generating a quote, provisioning services and billing.

Maintaining excellence

Consistent with NEXTDC's mission of becoming the leading data centre services company in Australia, our overarching objectives are achieving market-leading sales performance; hosting the country's largest independent ecosystem of carriers, cloud and IT service providers; and enabling customers to create national solutions, source and connect with suppliers and partners under an integrated hybrid cloud umbrella.

Based on a range of compelling, organic growth opportunities, NEXTDC's delivery of shareholder value requires it to continue growing its national footprint and ecosystem to support the growth domestic and international customer demand.

On this journey, NEXTDC has been able to attract the country's top corporate talent to its Board, which experiences the occasional refresh. Ms Elizabeth Gaines retired from the Board in January 2017, following the announcement of her appointment to the role of Chief Financial Officer of Fortescue Metals Group Limited. Her contribution to the ongoing development of NEXTDC was invaluable, and she brought a wealth of financial and management expertise to the Board.

Three months later in April 2017, NEXTDC welcomed Ms Sharon Warburton to the NEXTDC board as non-executive director, where her expertise in large-scale infrastructure projects has contributed great insight into our corporate strategy, business operations and finance, as has her strong track record in the resources, infrastructure and construction industries.

Building for the future

These are indeed exciting times for your Company as we deliver substantial new data centre capacity and connectivity to the Australian IT industry.

On behalf of NEXTDC, 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 ASX200-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 and Tier IV 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 infrastructure colocated with NEXTDC; and our award-winning Ethernet connectivity platform, AXON™ – 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.

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.

Risk reduction

Government agencies and private enterprise need to address concerns as to whether their use of off-shore data storage meets strict Australia Privacy Act and/or other government-initiated recommendations and requirements for the protection of sensitive information. This has led many organisations to increase control over access to their data by having it hosted in the same legal jurisdiction as their base of operations. As an Australian-owned company operating solely on Australian soil, NEXTDC can ensure the 'data sovereignty' of hosted information and infrastructure – which is protected by strict security systems and protocols featuring a multi-layered security access system.

Additionally, if NEXTDC does not follow best practice standards, there is a possibility its processes may become inefficient and ineffective, impacting negatively on customer service and resulting in breaches of legislation. To address this risk, NEXTDC has implemented a suite of ISO certifications to assure customers of the resilience and integrity of its systems and processes.

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, AXON 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 allows customers to centrally manage their data centre assets providing a consolidated view of their infrastructure in NEXTDC data centres through a single pane of glass.

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 such as AWS Direct Connect, Microsoft ExpressRoute IBM/SoftLayer BlueMix.
- Large IT services providers: both local and regional, such as: Wipro, Tech Mahindra, NEC, Dimension Data, Fujitsu, NTT and Data#3.
- Telcos: NEXTDC has more than 50 domestic and international telco partners, including Optus, Telstra, AAPT, Vocus, TPG, 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 AXON offers virtual connections to clouds, carriers and suppliers in any data centre on the AXON network.

Data Centre Infrastructure Management-as-a-Service (DCIMaaS): The ONEDC cloud platform enables centralised management of data centre assets in NEXTDC facilities; delivering real-time intelligence to decision-makers, for 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

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

ISO 9001:2015
Quality Management System certification

ISO 14001:2015
Environmental Management System certification (C1, M1, S1)

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

Uptime Institute
Tier III certification

INDUSTRY AWARDS

iAwards
2016 Winner: AXONVX – Industrial & Primary Industries category
2016 Winner: AXONVX – Infrastucture & 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

Thriving in the age of digital disruption

The advancement of technology is delivering a myriad of new capabilities for organisations, as traditional business models are being bypassed in favour of more flexible, interconnected ecosystems of complementary services.

This shift is as much of a challenge for CIOs as it is an enabler to future-proof their business. By releasing their organisation from a linear value-chain, where they work with established partners and add incremental value, to being part of a more agile, heterogenous network, they gain a true competitive edge and the opportunity to expand exponentially.

Public and private clouds, infrastructure as-a-service, and the apps driving the sharing economy, can now be rapidly provisioned and operated with minimal effort by the end-user. Access to powerful new business tools and the 'network effect' that comes from a platform of interconnected users, is shaping not only the next generation of products and services organisations are able to deliver, but the unique experience they offer their customers.

Gartner recently identified five key pillars for businesses to reinvent their business operations and build a successful digital foundation: information systems, customer experience, analytics and intelligence, the Internet of Things (IoT) and ecosystems. When these elements are working in sync they have a powerful effect on productivity.

For example, IDC predicts that by 2020, for every dollar Salesforce makes in Australia, the company's ecosystem of customers and partners will generate more than four dollars by building applications and services on top of the Salesforce platform.

Gartner defines a digital ecosystem as an interdependent group of actors (enterprises, people, things) sharing standardised digital platforms to achieve a mutually beneficial purpose.

Any business can tap into a digital ecosystem, but if it is to succeed, it needs the ability to acquire, store, access and transmit huge volumes of data, and integrate a range of services and networks, while maximising security and performance.

Modern businesses need IT infrastructure that can scale and adopt new elements rapidly, and a more agile and complex communications network than what many are presently using. Today, data centre colocation has become a critical resource for building partnerships by enabling dynamic collaboration through flexible interconnections, in a single, secure location.

Adopting an ecosystem strategy requires a new way of doing business. IT leaders will need to actively form partnerships or alliances with vendors and service providers to really understand and evaluate how the technology can be used.

By using specialised services from the ecosystem to support different capabilities – for example, mobile, search engine, CRM, or online payments – CIOs can scale their operations to fulfil spikes in demand, and draw on outsourced expertise as new, disruptive IT is introduced.

Ultimately, this all contributes to the massive growth and overall value the data centre delivers customers. With this growth comes an unparalleled opportunity for CIOs to navigate the landscape of services and drive a new IT strategy that will support their organisation through oncoming waves of digital disruption.

Impact of market growth demonstrated by NEXTDC

	30 June 2017	30 June 2016	30 June 2015	30 June 2014
ECONOMIC INDICATORS				
Customers[1]	772	647	478	302
Cross connects[2]	6,342	4,575	2,893	1,488
CAPACITY AND UTILISATION				
Operating facilities[3]	5	5	5	5
Installed capacity[4]	36.0MW	34.7MW	24.4MW	19.7MW
Contracted customer utilisation[5]	31.5MW	26.1MW	21.7MW	11.9MW
% of installed capacity	88%	75%	89%	59%
Billing customer utilisation[6]	29.5MW	23.2MW	14.0MW	10.6MW
% of installed capacity	82%	67%	57%	54%

Sustainability

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.

For additional information, please see the document Environmental and Social Sustainability Report available from www.nextdc.com

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

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[1] Customers: the number of counterparties (including partners) which have executed a Master Services Agreement with NEXTDC.
[2] Cross Connects: the number of both physical and elastic cross connections.
[3] Operating Facilities: The number of facilities which had commenced operations prior to the reporting date.
[4] Installed Capacity: Includes the total power capability of the data centre space fitted out across all operating facilities.
[5] Contracted Customer Utilisation: Total of all sold capacity in MW including customers with deferred contract commencement dates.
[6] Billing Customer Utilisation: Total of all sold capacity in MW where the service has commenced.

Directors' Report

The directors present their report on the consolidated entity (referred to hereafter as 'NEXTDC', the 'Company' or 'the Group') consisting of NEXTDC Limited and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

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

- Douglas Flynn
- Stuart Davis
- Gregory J Clark
- Elizabeth Gaines (resigned 31 January 2017)
- Sharon Warburton (appointed 1 April 2017)
- 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:

- Successfully raised $450 million of funding ($150 million equity raising together with a $300 million Notes III offer)
- Contracted 5.4MW of new capacity
- Expanded its target network footprint from 73MW up to 126MW with the announcement of a new 30MW data centre S2 Sydney, an increase in the target capacity of M2 by 15MW to 40MW and B2 by 6MW to 12MW, and increase in the target capacity of S1 Sydney from 15MW to 16MW.

Financial Performance and Position

NEXTDC achieved a number of milestones and enjoyed a period of strong growth in the 12 months to 30 June 2017.

During the year, the Group experienced significant growth in number of customers, customer orders and data centre revenue. Data centre services revenue for the year increased from $89.3 million to $117.6 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 2017, NEXTDC was billing for approximately 29.5MW (2016: 23.2MW) of capacity.

Net profit after tax was $23.0 million (2016: $1.8 million). Non-statutory underlying earnings before interest, tax, depreciation and amortisation (EBITDA) improved from $27.7 million in FY16 to $49.0 million in FY17.

During the year, $159 million of capital expenditure was incurred.

Funding

In September 2016, NEXTDC raised $150 million through the issue of an additional 39,182,754 shares at an average price of $3.84. In June 2017, the Group issued $300 million in unsecured notes ("Notes III") which replaced the existing $60 million ("Notes I") and $100 million ("Notes II").

Post 30 June 2017 year end, NEXTDC was successful in upsizing its undrawn senior secured debt facility from $100 million to $300 million. As at the date of this report, the facility remains undrawn.

Cash, cash equivalents and term deposits at 30 June 2017 totalled $368.3 million (2016: $191.4 million).

Sales Performance

NEXTDC has continued to focus its sales strategy on partnering with providers of infrastructure, platform and packaged services. Flexibility offered by being carrier and vendor neutral allows customers a choice of carriers and systems integrators, leading to an increase in the number of unique customers to 772 at 30 June 2017.

During FY17 NEXTDC increased its contracted utilisation by 21% from 26.1MW at the end of FY16 to 31.5MW at the end of FY17.

Contracted utilisation at the M1 Melbourne facility has increased from 86% to 93% of the total power capacity (15.0MW) during the period from 1 July 2016 to 30 June 2017, an increase from 12.9MW to 13.9MW.

B1 Brisbane is a mature facility and has broadly maintained its contracted utilisation at 93% (2.1MW) as at 30 June 2017.

S1 Sydney's contracted utilisation increased from 62% to 84% of the total power capacity (16.0MW), during the period from 1 July 2016 to 30 June 2017. Construction of an additional fifth data hall commenced during the year, with works underway to install customer related infrastructure.

P1 Perth's contracted utilisation, based on total target power capacity of 6.0MW, has increased from 15% (0.9MW) to 25% (1.5MW) at 30 June 2017. 2.7MW capacity has been installed out of a total target capacity of 6.0MW at 30 June 2017.

C1 contracted utilisation increased from 4% (0.2MW) to 8% (0.4MW) of target power capacity (4.8MW). A program to expand capacity and upgrade core systems at C1 was completed during the year.

NEXTDC is deriving revenue from numerous product sources including white space, rack ready services, establishment service fees and add-on services. During FY17 cross connectivity between customer racks generated approximately 6% 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

As a rapidly growing organisation providing IT infrastructure essential to Australia's digital economy, it's vital for NEXTDC to seek the continuous innovation of its systems, products and services.

All data centres have achieved and continue to be certified to ISO 27001 Information Security Management System, and ISO 9001 Quality Management System. These certifications confirm that NEXTDC has an integrated management system that provides systematic approach to risk management, protection of company information and continuous improvement.

In FY17, the P1 Perth data centre was awarded a Tier III GOLD Certification of Operational Sustainability from the Uptime Institute (UTI) – the industry's leading independent advisory organisation – which signifies the staff and vendors at P1 have been trained to operate and maintain the data centre in accordance with the UTI's best practice standard. This training program will be rolled out nationally to the other data centres throughout FY18.

In April 2017 NEXTDC's B2 Brisbane data centre was awarded UTI Tier IV certification for design documents, a valuable endorsement of its ability to withstand individual equipment failures or distribution path interruptions and maintain IT operations. This achievement represents the evolution of NEXTDC's data centre design from the current Tier III standard to the even more robust Tier IV, UTI's highest certification.

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

The process of testing and tuning NEXTDC's data centres to optimise energy efficiency and stability has seen a marked improvement in the facilities' power usage effectiveness. In the past 12 months S1 and M1 achieved a NABERS 4.5-star rating for energy efficiency, and the average PUE throughout the year across all NEXTDC data centres is now 1.36, well below our target of 1.40.

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 new sites for B2, M2 and S2. 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.
- *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), limited to activities such as account and contract management, marketing and to permit entry into its facilities. NEXTDC does not store, interact with or manage any data stored on its customer's equipment. Customers are responsible for managing their own IT equipment and data security. All PII is securely managed in accordance with our Privacy Policy, a document based on the Australian Privacy Act 1998 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.
- *Fraud, Bribery and Corruption:* Fraud, bribery or any other unethical behaviour could significantly impact on customer's and shareholder's trust and confidence in NEXTDC. In order to reduce these risks, NEXTDC has stringent sales and purchasing processes and procedures. The Statement of Delegated Authority has been approved by NEXTDC's Board and authority limits are automated in NEXTDC's purchasing system to prevent staff exceeding their approval limits. All NEXTDC staff and directors 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 and lack of sufficient training and development could result in safety and environmental incidents, poor efficiencies and low morale. 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 FY17.

Matters subsequent to the end of the financial period

Subsequent to the end of FY17, NEXTDC announced an unconditional all-cash off-market takeover offer to acquire all the securities in Asia Pacific Data Centre Group (ASX: AJD). As at the date of this report, NEXTDC had a 21.1% relevant interest in AJD and intends to fund the offer from its existing cash reserves.

On 14 August 2017, NEXTDC announced to the market that it had agreed credit approved terms with its relationship bank, National Australia Bank ("NAB") in relation to $300 million 3-year Syndicated Senior Secured debt facilities ("New Facilities"). The Company has subsequently completed documentation in relation to the New Faclities, which will replace NEXTDC's existing $100 million undrawn senior secured debt facility provided by NAB.

Likely developments and expected results of operations

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

Dividends

Dividends were neither paid nor declared during the year.

Environmental regulation

The Group is subject to 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 May 2017, the S1 data centre was certified with an exceptional NABERS 4.5 star rating for energy efficiency. This follows the M1 data centre receiving the same rating in June 2016. NEXTDC is pursuing the NABERS program for our other facilities.

Insurance of officers

During the period, NEXTDC Limited paid a premium of $143,000 (2016: $41,597) 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. The Directors & Officers Liability insurance also covers security claims against the company itself. It is not possible to apportion the premium between amounts relating to the insurance against legal costs to defend the officers and those relating to other liabilities.

Proceedings on behalf of the company

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

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

Rounding of amounts

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

Information on directors

DOUGLAS FLYNN

Chairman
Non-Executive Director (since September 2013)

EXPERIENCE AND EXPERTISE

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

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

Doug is 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

SPECIAL RESPONSIBILITIES

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

INTERESTS IN SHARES AND OPTIONS

Doug holds 148,127 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 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 1,042,043 fully paid ordinary shares, 1,768,093 shares via the NEXTDC Loan Funded Share Plan and 1,116,874 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
- Member of the Remuneration and Nomination Committee

INTERESTS IN SHARES AND OPTIONS

Stuart holds 32,112 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's Technology Committee and was a member of the Risk, Governance and Human Resources Committees.

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

MEMBER OF THE AUDIT AND RISK MANAGEMENT COMMITTEE INTERESTS IN SHARES AND OPTIONS

Gregory holds 35,000 fully paid ordinary shares in NEXTDC Limited.

SHARON WARBURTON

Non-Executive Director (since April 2017)

EXPERIENCE AND EXPERTISE

Sharon was appointed as an Independent Non-Executive Director in April 2017.

Sharon is currently the Deputy Chairman of Fortescue Metals Group Limited and a Non-Executive Director of Gold Road Resources Limited. Sharon is also Chairman of the Northern Australia Infrastructure Facility, a Director of Western Power and a part-time member of the Federal Government's Takeovers Panel.

Sharon has previously held positions as Executive Director of Strategy and Finance with Brookfield Multiplex, Chief Planning and Strategy Office of United Arab Emirates based ALDAR Properties PJSC, and senior executive roles with Multiplex, Citigroup, and Rio Tinto.

Sharon is a Fellow of Chartered Accountants Australia and New Zealand. Sharon is a Graduate of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Building and a member of Chief Executive Women.

Sharon is a Director of the Perth Children's Hospital Foundation and the Patron of their Emerging Leaders in Philanthropy programme. She is a member of the WA Rhodes Scholar Scholarship Selection Committee.

Sharon is Curtin University alumni and the Patron for the Curtin Women in MBA scholarship programme.

Sharon holds a Bachelor of Business – Accounting and Business Law from Curtin University.

OTHER CURRENT DIRECTORSHIPS

- Fortescue Metals Group Limited (November 2013 – present)
- Gold Road Resources Limited (April 2016 – present)

FORMER DIRECTORSHIPS

- Wellard Limited (until August 2016)

SPECIAL RESPONSIBILITIES

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

INTERESTS IN SHARES AND OPTIONS

Sharon currently holds no stock in NEXTDC Limited.

ELIZABETH GAINES

Non-Executive Director (June 2015 to January 2017)

EXPERIENCE AND EXPERTISE

Elizabeth was a Non-Executive Director until resignation in January 2017.

Elizabeth brought extensive governance and operational experience as a group executive running large businesses and a proven track record in international business and financial leadership and left to take up a full-time position as Chief Financial Officer at Fortescue Metals Group.

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.

INTERESTS IN SHARES AND OPTIONS

Elizabeth held 24,931 fully paid ordinary shares in NEXTDC Limited at the time of her departure.

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	11	11	3	3	2	2
Stuart Davis	11	11	3	3	2	2
Gregory J Clark	10	11	3	3	2	2
Craig Scroggie	11	11	N/A	N/A	N/A	N/A
Elizabeth Gaines[1]	6	6	1	1	1	1
Sharon Warburton[2]	3	3	1	1	1	1

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the period
N/A = Not applicable. Not a member of the relevant committee
1. Elizabeth Gaines was a director until 31 January 2017.
2. Sharon Warburton has been a director since 1 April 2017.

Remuneration Report – Audited

This report sets out the remuneration arrangements for NEXTDC's Directors and other Key Management Personnel (KMP) for the year ended 30 June 2017 (FY17). It is prepared in accordance with section 300A of the Corporations Act 2001 (Corporations Act), and has been audited as required by section 308(3C) of the Corporations Act.

This report is divided into the following sections:

1. MESSAGE FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Welcome to NEXTDC's 2017 Remuneration Report, which details how both Company and individual performance are linked to executive remuneration for the 2017 financial year. The report also details our remuneration policy for FY17 and FY18 and how these align to reinforce the relationship between shareholder returns and executive remuneration.

In FY17, NEXTDC achieved a number of key performance milestones:

- Revenue from data centre services grew 32% from $89.3 million in FY16 to $117.6 million in FY17;
- Non-statutory underlying earnings before interest, tax, depreciation and amortisation (EBITDA) grew 77% from $27.7 million in FY16 to $49.0 million in FY17;
- Operating cash flow grew 102% from $22.3 million in FY16 to $44.9 million in FY17;
- Contracted utilisation grew by 5.4MW from 26.1MW at 30 June 2016 to 31.5MW at 30 June 2017;
- The successful raising of $150 million of additional equity funding, as well as the successful refinancing of Notes I ($60 million face value) and Notes II ($100 million face value) with Notes III ($300 million face value);
- Current development of the B2 and M2 data centres, representing an investment of over $100 million so far to have the facilities customer ready in FY18; and
- Secured a site for the construction of the Company's second data centre in Sydney (S2).

Outstanding Company achievements such as these underpin the incentive payments made to senior executives for the FY17 performance period. These outcomes saw NEXTDC achieve a financial and market position in excess of the FY17 budget and strategic plans.

The structure of the remuneration for individual executive performance seeks to recognise the compelling opportunities in the data centre industry and the need for robust growth to compete against private and foreign-owned corporations also seeking to rapidly satisfy increasing demand. With growth tied to shareholder value, the Board recognises that significant elements of executive remuneration need to be contingent on the ability to expand NEXTDC's national footrint. This includes being the first to market by securing valuable sites, integrating new infrastructure, and offering a consistent, high-value service to national and international customers.

Worthy of note is that, for the second year in a row, the senior executive team have foregone a pay increase in aid of ensuring that key operational staff members can be appropriately remunerated and to ensure their retention.

The 2017 financial year was the first period in which the new Short Term Incentive (STI) program came into force. The STI plan comprises elements closely aligning shareholder interests with executive performance:

- No short term incentives can be paid if the EBITDA gateway is not achieved. The FY17 EBITDA gateway was 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 equity.This deferred amount will rise to 50% for FY18 and any subsequent years.

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.

Dr Gregory Clark

Chairman – Remuneration and Nominations Committee

2. THE PERSONS COVERED BY THIS REPORT

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

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
Sharon Warburton (appointed 1 April 2017)	Non-Executive Director Member of the Audit and Risk Management Committee Member of the Remuneration and Nomination Committee
Elizabeth Gaines (resigned 31 January 2017)	Former Non-Executive Director Former Member of the Audit and Risk Management Committee Former Member of the Remuneration and Nomination Committee

SENIOR EXECUTIVES

Name	Position
Craig Scroggie	Chief Executive Officer, Executive Director
Simon Cooper	Chief Operating Officer
Oskar Tomaszewski	Chief Financial Officer
Adam Scully	Group Executive – Sales and Marketing
David Dzienciol	Chief Customer Officer & Executive Vice President of Technology

3. OVERVIEW OF REMUNERATION GOVERNANCE FRAMEWORK

Consistent with NEXTDC's mission to be the leading customer-centric data centre services company, delivering solutions that power, secure and connect enterprise, the remuneration policy is designed to incentivise and reward senior executives for achieving the Company's overarching objectives of building market-leading sales performance; hosting the country's largest independent ecosystem of carriers, cloud and IT service providers; and enabling customers to source and connect with suppliers, partners under an integrated hybrid cloud system.

The remuneration framework applicable to the 2017 financial year is outlined and summarised below:

3.1 Senior Executive Remuneration (SER) Policy

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

- The Chief Executive Officer – accountable to the Board for the Company's performance and long term planning;
- Direct reports to the Chief Executive Officer – heads of business units, or those with key functional roles, or essential expertise;
- Other executive roles classified as KMP under the Corporations Act; and
- Other roles or individuals nominated by the Board from time to time.

In line with good governance the SER policy details how executive remuneration is structured, benchmarked and adjusted in response to changes in the circumstances of the Company, and describes the following in relation to Senior Executives:

- Total remuneration:
  - Base Salary Package (inclusive of superannuation, non-monetary benefits and any applicable fringe benefits tax);
  - STI that provides a reward for performance against annual objectives; and
  - LTI that provides a securities-based reward for performance against indicators of long term shareholder value creation, over approximately a three year period.

In total, the sum of the elements (i.e. Base Salary Package, STI and LTI) will constitute the total remuneration package (TRP). Further, the Board highlights the following considerations and key features of the TRP:

- The TRP is structured with reference to NEXTDC's business strategy and external market factors;
- The Base Salary Package policy mid-points are set with reference to the median of the relevant market practice;
- TRPs at Target (being the Base Package plus incentive awards intended to be paid for targeted levels of performance) are 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 challenging, 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).

3.2 Senior Executive Remuneration Benchmarks

In setting executive remuneration, the Company continues to reference domestic and international industry benchmarks. Specific adjustments are introduced to enable NEXTDC to attract and retain the necessary calibre of talent in the niche data centre industry. Whilst many ASX-listed companies place a similar emphasis on the quantum of executive remuneration, many of NEXTDC's competitors and major customers are international and NEXTDC needs to compete for talent against this backdrop, which means this issue is vital for the Company. Accordingly, the Company observes the following factors in setting executive remuneration packages:

- The individual's contribution to long term revenue/EBITDA growth;
- Their relevant industry knowledge, experience and connections; and
- International comparators with whom NEXTDC must compete for talent.

Consequentially, certain segments of the executive remuneration mix may not be captured solely by domestic remuneration benchmarks, noting that the retention of KMPs with first-class industry relationships are of critical importance in achieving exceptional financial performance and long-term shareholder value.

3.3 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 remove 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.

3.4 Senior Executive Remuneration and Performance

Although organic growth opportunities are compelling, the Company has 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 components of Company performance are the drivers of tomorrow's sustainable shareholder value creation.

Senior Executive remuneration and performance is also assessed relative to NEXTDC's performance over the past five years, as summarised in the table below:

	Unit of Measure	FY17	FY16	FY15	FY14	FY13
Data centre services revenue	$m	117.6	89.3	58.7	30.4	9.0
Underlying EBITDA	$m	49.0	27.7	8.0	(16.1)	(20.0)
Statutory profit/(loss) before tax	$m	12.9	1.8	(10.3)	(19.9)	(3.5)
Contracted utilisation	MW	31.5	26.1	21.7	11.9	9.7
Dividends paid per share	Cents	-	-	-	-	-
Share price	$	4.51	3.47	2.32	1.66	2.60
Market capitalisation	$m	1,282	849	450	321	452

Underlying EBITDA excludes non-recurring items such as data centre development revenue and costs. EBITDA is a non-statutory metric representing earnings before interest, tax, depreciation and amortisation.

3.5 Variable remuneration – Short Term Incentive Plan (STIP)

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 highly capital-intensive nature of NEXTDC's business requires infrastructure to be built prior to generating income derived through infrastructure utilisation. With NEXTDC operating in 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 on committed sales, facilities growth, margin, and EBITDA growth in incentivising senior executives.

FINANCIAL YEAR 2017 SHORT TERM INCENTIVE (STI) PLAN

Aspect	Plan Rules, FY17 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.

FINANCIAL YEAR 2017 SHORT TERM INCENTIVE (STI) PLAN

Aspect	Plan Rules, FY17 Offers and Comments
Award Opportunities	**Plan Rules** The STI Plan allows for Board discretion over award opportunities. **FY17 Offer** Senior Executives who are KMP have a target award opportunity of 25% of Base Package and a stretch (maximum) of 75% 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. **FY17 Offer** KPIs vary to some extent between participants and reflect the nature of their roles, while creating shared objectives where appropriate. KPIs used for FY17 include: ▪ Company KPIs: – Group EBITDA – New retail NMRR committed – New wholesale NMRR 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 relevant weightings are applied for the FY17 year. Performance goals are not disclosed if they remain commercially sensitive. No STI can be paid if the EBITDA gateway is not achieved. The FY17 EBITDA gateway was set at 95% of budget. **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 amongst 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 NMRR committed is connected to the level of incremental new business signed with NEXTDC's two key customer segments: Retail and Wholesale. 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 2017 SHORT TERM INCENTIVE (STI) PLAN

Aspect	Plan Rules, FY17 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 subject to the deferral of 33% of the final STI payment as detailed below (Deferral). **FY17 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.
Deferral	Deferring 33% of the awarded STI for a period of 12 months is intended to promote sustainability of annual performance over the medium term, acts as a retention mechanism and facilitates the exercise of clawback provisions should the Board determine to exercise its discretion.
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 misstatements or omissions 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 discretion to vary the Plan Rules or terminate the STI Plan but may not reduce earned entitlements without the consent of the Participant.

3.6 Variable remuneration – Long Term Incentive Plan (LTIP)

FINANCIAL YEAR 2017 LONG TERM INCENTIVE (LTI) PLAN

Aspect	Plan Rules, FY17 Offers and Comments
Purpose	The LTI Plan's purpose is to give effect to an element of Senior Executive Remuneration, which constitutes part of a market-competitive total remuneration package. The aim is to provide an incentive for Senior Executives to help achieve the Company's strategic objectives by delivering 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 Limited Equity Incentive Plan (EIP).
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.
	FY17 Offers Performance Rights
	Comments The 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.
	FY17 Offers For Senior Executives who are key management personnel the target LTI value was set at 75% 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% ÷ Right Value** NB: The Right Value is the volume weighted average share price of Shares over the 10 trading days following the release of the Company's FY16 results. 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 approximately three years as described below unless otherwise determined by the Board.

FINANCIAL YEAR 2017 LONG TERM INCENTIVE (LTI) PLAN

Aspect	Plan Rules, FY17 Offers and Comments
	FY17 Offers The measurement period for FY17 is approximately a three (3) year period beginning from the end of trade on the day of release of the FY16 Results and ending upon the end of the day of release of the annual results for FY19.
	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 positive). The Board retains discretion to modify vesting outcomes. Incentive Rights that do not vest will lapse.
	FY17 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 ASX 200 Accumulation Index (Index) with the vesting percentages to be determined by the following scale:

NEXTDC's TSR over the Measurement Period	Percentage of Rights that vest
Less than TSR of Index	Nil
At TSR of Index	25%
Between TSR of Index and TSR of Index + 5% p.a.	Pro rata vesting from 25% to 100% on a straight line basis
TSR of Index + 5% p.a. or greater	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 shareholder return and 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 Index) over the Measurement Period before any vesting may occur. Full vesting does not become available until the TSR of the Company exceeds the TSR of the Index by 5% or more per annum (p.a.) over the Measurement Period. This would, in the Board's view, represent an outstanding outcome for the Company.

The ASX 200 Accumulation Index is adopted on the basis that there is an insufficient breadth of ASX data-servicing comparators to produce a meaningful bespoke peer group.

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 2017 LONG TERM INCENTIVE (LTI) PLAN

Aspect	Plan Rules, FY17 Offers and Comments
Retesting	**Plan Rules** The Board has discretion to determine whether retesting will apply.
	FY17 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 is inconsitent 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.
	FY17 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.
	FY17 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.
	FY17 Offers No additional dealing restrictions are to be attached to FY17 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 2017 LONG TERM INCENTIVE (LTI) PLAN

Aspect	Plan Rules, FY17 Offers and Comments
	FY17 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** In the event of a change in control (including by way of a takeover bid, scheme of arrangement or any othe transaction, event or state of affairs that the Board determines should be treated as a change of control), unvested Incentive Rights will vest in the same proportion as the Share price has increased by since the beginning of the Measurement Period, although the Board retains discretion over the treatment of any unvested Incentive Rights.
	FY17 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.
	FY17 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.
	FY17 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 misstatements or omissions 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 EIP.

FINANCIAL YEAR 2017 LONG TERM INCENTIVE (LTI) PLAN

Aspect	Plan Rules, FY17 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 EIP.
Hedging	**Plan Rules** The Company prohibits the hedging of Incentive Rights and Restricted Shares by Participants.

FY17 LTI PLAN.

- FY17 was the first year in which the measurement period for assessing TSR performance is aligned with the release of results to ensure that the share price upon which TSR is determined at the start and end of the performance period reflects an informed market.
- The performance benchmark is the ASX 200 Accumulation Index, of which NEXTDC is a member.
- Vesting commences upon NEXTDC's TSR matching the Index TSR, with full vesting occurring once NEXTDC's TSR exceeds the Index TSR by 5% compound annual growth over the performance period. This hurdle has been determined with regard for the historic performance of the ASX 200 Accumulation Index whereby 5% compound annual growth or greater represents upper quartile performance.

The Remuneration Committee has again reviewed whether the introduction of a second LTI performance measure is appropriate. It remains the Board's view that an additional measure is not appropriate at NEXTDC's current stage of development. The Remuneration Committee regards the continued application of a relative TSR performance measure to be the most effective method for aligning long-term executive performance with shareholder wealth outcomes. The Committee will review the appropriateness of the single measure LTI program on an annual basis.

3.7 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 comprises:
  - 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.
- The Non-Executive Director Remuneration Policy contains 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 75th 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 base salary package remains at $1.2 million in FY17, which has been his base pay since his appointment to the role in 2012. Over this period, the CEO has overseen the company's expansion, and has delivered:

- Compounded annual revenue growth of 98% from FY11 to FY17;
- Coupounded annual asset growth of 40% from FY11 to FY17; and
- The expansion of NEXTDC's market capitalisation by approximately 566% from FY11 to FY17.

NEXTDC is unique among ASX-listed companies due to its high capital-intensity and growth prospects requiring further capital to be realised 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.

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	6 months	6 months
Adam Scully	No fixed term	6 months	6 months
David Dzienciol	No fixed term	6 months	6 months

5. STI PERFORMANCE OUTCOMES FOR FY17

FY17 was the Company's seventh full financial year since inception.

The Company's evolution has seen its performance outcomes move from an initial development phase to an operational and expansion phase, as the ongoing achievement of strategic objectives leads to increasing earnings. Primary objectives for the FY17 year included the sale of installed capacity at the appropriate price, the on-schedule development of new capacity to meet market and customer requirements, operational risk mitigation, product development, process and system development, staff retention, cost management and the ability to fund further expansion.

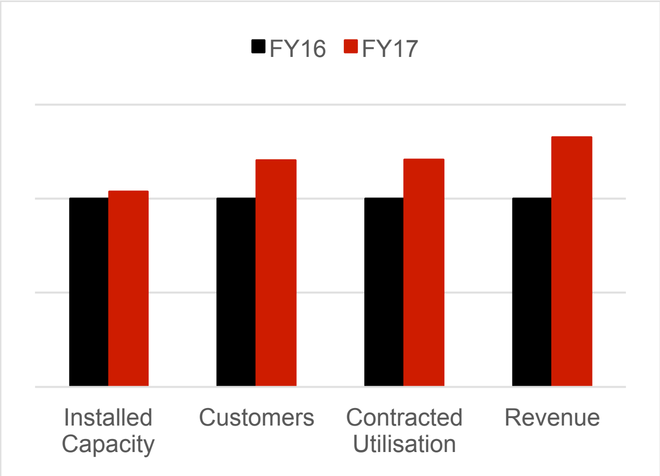
FY17 was a tremendous year for sales, with a total of 5.4MW committed. 125 new customers were added during the course of the financial period.The total number of NEXTDC customers is now 772.

During this period development began on M2 Melbourne and B2 Brisbane, which at full fit-out will expand NEXTDC's total target capacity to over 125MW.

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

The Company also delivered strong growth in EBITDA and operating cash flow in FY17, with operational discipline and a 32% increase in revenue from data centre services (from $89.3 million to $117.6 million) contributing to a $49.0 million full year EBITDA result, up from $27.7 million achieved in FY16.

During the course of FY17, the Company was able to successfully raise $150 million of additional equity funding, and complete the refinance of Notes I ($60 million face value) and Notes II ($100 million face value) with Notes III ($300 million face value), providing NEXTDC with additional funding to finalise the construction of S2 and fund further large customer opportunities.



NEXTDC's remuneration framework supports its corporate vision to help enterprises harness the digital age, improving our society through the advancement of technology. As the Company continues its rapid expansion and develops its unique market position, the Board has 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 2018 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 successfully implementing the business strategy.

Senior Executive performance under the FY17 STI plan, including for the CEO, is detailed below. CEO performance 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 executive, the Board exercises discretion to increase or decrease STI based on the quality of their results and the degree of satisfaction against each performance objective.

For the purposes of assessment, the threshold performance that must be attained prior to any incentive payment, must at least meet, or exceed, guidance where provided, and is equal to or exceed 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 FY17 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.

FY17 GROUP LEVEL STI PERFORMANCE TARGETS (80% of Entitlement)

Performance Measure	FY17 Weighting
Group EBITDA	1/3
New Retail NMRR[1] Committed	1/3
New Wholesale NMRR 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**: This metric indicates the Company's underlying profitability at this stage of its development;
- **New NMRR Committed**: This metric is connected to the level of incremental new business signed with NEXTDC's two key customer segments: Retail and Wholesale.

The joint assessment of these three performance objectives in the context of the Company's overall performance resulted in overall performance falling in between target and stretch for the FY17 performance period. The actual EBITDA and NMRR targets are not quantified as they are considered to be commercially sensitive and are therefore not disclosed in the interests of shareholders.

For the individual performance KPIs, which had a 20% weighting towards the FY17 STI, outcomes are primarily based on an individual's contribution to delivering specific projects encompassing diverse initiatives.

In evaluating the personal performance of the CEO in FY17, the Board took a range of factors into account, including:

- The CEO's contribution towards securing a total of 5.4MW;
- The successful raising of $150 million of additional equity funding as well as the successful refinance of Notes I ($60 million face value) and Notes II ($100 million face value) with Notes III ($300 million face value);
- Progress of the development of B2 and M2 for launch in FY18; and
- Securing a site for the construction of the Company's second data centre facility in Sydney (S2).

On this basis, the CEO earned 94% of the FY17 STI opportunity that is attributable to individual objectives.

The performance achieved pursuant to individual KPIs for other reported senior executives in FY17 is detailed in the table below.

FY17 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, including B2 and M2, 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. Achievement of key milestones for all capacity expansion including the B2 and M2 data centres.	98%	64%

[1] Net Monthly Recurring Revenue

FY17 INDIVIDUAL STI OBJECTIVES (20% of STI Entitlement)

Name	Objective	Contribution to success	Measurement	Percentage of individual STI achieved	Percentage of overall STI achieved
Oskar Tomaszewski CFO	Develop funding program to support the Company's growth strategy. Ongoing development of financial systems and procedures. Investor relations management.	Ensuring NEXTDC maintains an appropriate capital structure allows the Company to optimise its cost of capital. Organising the Company's inaugural Investor Day.	Secured additional unsecured debt funding (Notes III) $300m at appropriate cost. Secured additional $150m equity funding.	91%	64%
Adam Scully Group Executive – Sales and Marketing	Grow the Company's installed base of customers as well as channel partners. Drive cloud and connectivity on-ramps for ecosystem 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 demand across the portfolio. Share of Voice vs. competitors drives continued growth in brand awareness and differentiation of service offerings.	NEXTDC finished FY17 with 772 customers and more than 362 channel partners. The addition to the CloudCentre services catalogue of cloud on-ramps continued from Amazon Web Services Direct deployment in Canberra and IBM/Softlayer Direct Link in Sydney including NEXTDC extending connectivity services as a Cloud Exchange provider. NEXTDC continued to lead the market with highest overall data centre Share of Voice across all media.	88%	63%
David Dzienciol Chief Customer Officer & Executive Vice President of Technology	Improve the Customer experience across the core IT, business and customer systems. Improve customer engagement, operations and service management. Execution of the business systems transformation program and core technology platforms including Office 365, Salesforce, ServiceNow, Microsoft AZURE and the AXON network and platform.	As NEXTDC grows, the Customer experience is paramount. A focus on system automation and alignment creates the potential for scale and efficiency that supports the Company's growth and enhances its performance. Given NEXTDC's and its customers' reliance on IT systems, improving these and the customer journey will enhance the Company's services, its competitiveness, its ability to retain customer and its market position.	In FY17, all key programs were delivered within schedule and budget. The customer journey program was delivered and significant improvements to service, change and systems management achieved. Legacy systems were replaced or integrated into new technology platforms to retain and enhance their business value resulting in improvements in workplace efficiency and work flow.	98%	64%

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

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 2017 and 2016 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	
Name	**Year**	**Salary**	**Super-contributions**	**Non-monetary benefits**	**Leave benefits (1)**	**Subtotal**	**STI (2)**	**% of TRP**	**LTI**	**Total remuneration package**
Craig Scroggie	2017	1,170,000	30,000	2,122	109,544	1,311,666	574,697	25%	457,782	**2,344,145**
Simon Cooper	2017	430,385	19,616	2,122	508	452,631	216,861	26%	154,207	**823,699**
Oskar Tomaszewski	2017	410,385	19,616	-	30,458	460,459	204,966	25%	158,683	**824,108**
David Dzienciol	2017	380,385	19,616	-	22,414	422,415	192,766	26%	119,005	**734,186**
Adam Scully	2017	355,385	19,616	-	27,694	402,695	177,905	25%	119,272	**699,872**
Total	**2017**	**2,746,540**	**108,464**	**4,244**	**190,618**	**3,049,866**	**1,367,195**		**1,008,949**	**5,426,010**

		Basic package					STI		LTI	
Name	**Year**	**Salary**	**Super-contributions**	**Non-monetary benefits**	**Leave benefits (1)**	**Subtotal**	**STI**	**% of TRP**	**LTI**	**Total remuneration package**
Craig Scroggie	2016	1,170,000	30,000	2,367	168,602	1,370,969	435,900	20%	372,211	**2,179,080**
Simon Cooper	2016	430,692	19,308	2,367	48,778	501,145	163,463	21%	115,464	**780,072**
Oskar Tomaszewski	2016	409,525	20,475	-	39,694	469,694	156,198	21%	115,652	**741,544**
David Dzienciol	2016	380,692	19,308	-	22,599	422,599	145,300	22%	78,898	**646,797**
Adam Scully	2016	355,692	19,308	-	60,891	435,891	136,219	21%	85,811	**657,921**
Total	**2016**	**2,746,601**	**108,399**	**4,734**	**340,564**	**3,200,298**	**1,037,079**	21%	**768,037**	**5,005,414**

(1) Leave benefits in the basic package includes the net movement of short-term leave benefits such as annual leave and long-term leave benefits such as long service leave. Amounts in 2016 may appear higher than 2017 as it is the first year that long-service leave expense was recognised by the Group.

(2) 33% of the 2017 STI will be deferred for 12 months, with employees able to elect whether this is delivered in cash or equity. This deferred amount will rise to 50% for FY18 and any subsequent years.

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 FY12 AGM in October 2013.

The rates of fees including superannuation contributions in respect of the 2017 and 2018 financial years is as follows:

	From 1 July 2016	From 1 July 2017
Board Chair	$190,000 per annum	$190,000 per annum
Non-Executive Directors	$98,000 per annum	$98,000 per annum
Committee Chair	$20,000 per annum	$20,000 per annum
Committee Member	$10,000 per annum	$10,000 per annum

These fees are consistent with the Company's policy of pitching fees at the market median. Remuneration received by Non-Executive Directors in FY17 and FY16 is disclosed below.

Name	Financial year	Board fees	Superannuation	Total
Douglas Flynn	2017	191,781	18,219	210,000
Gregory Clark	2017	116,895	11,105	128,000
Stuart Davis	2017	116,895	11,105	128,000
Sharon Warburton	2017	26,941	2,559	29,500
Elizabeth Gaines	2017	62,862	5,972	68,834
Total	**2017**	**515,374**	**48,960**	**564,334**
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**

Recommended Non-Executive Director Shareholding

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

6.3 Changes in Securities Held due to Remuneration

Name	Instrument	Balance at start of the year	Granted	Exercised	Accounting value at exercise date ($)	Lapsed	Balance at end of the year
Craig Scroggie	Loan Funded Shares	1,768,093	-	-	-	-	1,768,093
Craig Scroggie	Performance Rights	893,549	223,325	-	-	-	1,116,874
Simon Cooper	Loan Funded Shares	286,428	-	(286,428)	$140,000	-	-
Simon Cooper	Performance Rights	320,334	83,747	-	-	-	404,081
Oskar Tomaszewski	Performance Rights	300,807	80,025	-	-	-	380,832
Adam Scully	Loan Funded Shares	100,000	-	(100,000)	$30,290	-	-
Adam Scully	Performance Rights	247,632	69,789	-	-	-	317,421
David Dzienciol	Performance Rights	255,714	74,442	-	-	-	330,156

As at 30 June 2017, all loan funded shares had vested and were exercisable.

Legacy Loan Funded Share Plan

As part of NEXTDC's long-term incentives, eligible KMP participants had previously been offered a Loan Funded Share Plan (Share Plan).

While no further grants will be made under this plan, previous grants must be allowed to run out, and therefore this legacy incentive plan remains grandfathered. NEXTDC Limited holds the shares for the benefit of participants by issuing the shares to NEXTDC Share Plan Pty Ltd (the Trustee), a wholly-owned subsidiary of NEXTDC Limiteds. 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. After the participant has repaid the respective loan balance in full, shares are transferred to the participant in four annual tranches. The vesting of these shares is not dependent on performance conditions, only service conditions, which is one of the reasons that the Share Plan will no longer be used to make grants.

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

Name	Financial Year Granted	Number of Performance Rights	Vested and paid during the year	Forfeited during the year	Unvested at the end of the year
Craig Scroggie	2015	505,618	-	-	505,618
	2016	387,931	-	-	387,931
	2017	223,325	-	-	223,325
		1,116,874	**-**	**-**	**1,116,874**
Simon Cooper	2015	174,860	-	-	174,860
	2016	145,474	-	-	145,474
	2017	83,747	-	-	83,747
		404,081	**-**	**-**	**404,081**
Oskar Tomaszewski	2015	161,798	-	-	161,798
	2016	139,009	-	-	139,009
	2017	80,025	-	-	80,025
		380,832	**-**	**-**	**380,832**
David Dzienciol	2015	126,404	-	-	126,404
	2016	129,310	-	-	129,310
	2017	74,442	-	-	74,442
		330,156	**-**	**-**	**330,156**
Adam Scully	2015	126,404	-	-	126,404
	2016	121,228	-	-	121,228
	2017	69,789	-	-	69,789
		317,421	**-**	**-**	**317,421**

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

Financial year granted	Fair value at grant date
2015	Between $0.98 and $1.25
2016	$1.25
2017	$1.63

Performance Rights Vesting Outcomes

The performance rights granted in financial year 2015 were tested on 30 August 2017 and will be granted in full following the release of the FY17 annual report. Performance rights granted in financial years 2016 and 2017 are due to be tested after 30 June 2018 and 30 June 2019 respectively.

The following table details shares that have been provided to key management personnel through the 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	-	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	(142,857)	-	1.75	0.35	-	31 Oct 2017
		142,857	142,857	(142,857)	-	1.75	0.45	-	31 Oct 2017
		142,857	142,857	(142,857)	-	1.75	0.53	-	31 Oct 2017
Adam Scully	6 June 2013	50,000	50,000	(50,000)	-	2.00	0.61	-	6 June 2018
		50,000	50,000	(50,000)	-	2.50	0.43	-	6 June 2018
TOTAL		**2,439,521**	**2,439,521**	**(671,428)**	**1,768,093**	**-**	**-**		

The number of shares in the loan funded share plan issued to key management personnel and outstanding at the end of the year was 1,768,093 (2016: 2,154,521).

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 FY17, 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 2017
DIRECTORS						
Douglas Flynn	133,460	-	-	14,667	148,127	148,127
Gregory Clark	25,000	-	-	10,000	35,000	35,000
Stuart Davis	28,211	-	-	3,901	32,112	32,112
Sharon Warburton	-	-	-	-	-	-
Elizabeth Gaines	21,606	-	-	(21,606)	-	-
SENIOR EXECUTIVES						
Craig Scroggie	1,004,676	-	-	37,367	1,042,043	377,399
Simon Cooper	11,000	-	286,428	(216,428)	81,000	11,000
Oskar Tomaszewski	-	-	-	-	-	-
David Dzienciol	123,007	-	-	38,928	161,935	-
Adam Scully	3,000	-	100,000	(100,000)	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 2016 and 2017 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. NON-AUDIT SERVICES

The Group may decide to employ the auditor (PricewaterhouseCoopers) on assignments in addition 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 for auditor independence 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; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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	2017 $	2016 $
(i) Taxation Services		
Tax compliance services	15,710	15,670
(ii) Other services		
Other professional services	-	37,848
Total Remuneration of PwC Australia Non-Audit Services	**15,710**	**53,518**

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 46.

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

31 August 2017

Auditor's Independence Declaration

As lead auditor for the audit of NEXTDC Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Michael Shewan
Partner
PricewaterhouseCoopers

Brisbane
31 August 2017

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Corporate Governance

Corporate Governance is of central importance to NEXTDC and its 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 ("ASX Principles").

At NEXTDC, Corporate Governance means the overarching environment that supports everything the Company does. It is the combination of processes and structures implemented by the Board and CXO to inform, direct, manage and monitor NEXTDC's activities to meet its strategic objectives.

Corporate governance provides evidence to investors and Australian Securities & Investments Commission (ASIC) that the Company:

- complies with legislation such as the Corporations Act;
- meets expectations as a company listed on the ASX; and
- manages the company that is being funded by investors according to best practices.

This is important given that investors want to have confidence that the Company is being managed properly.

Elements of NEXTDC's Corporate Governance to ensure the Company stays on track to meet strategic objectives include:

- an effective risk management framework and internal controls (such as procedures, processes, training, reports and automated systems)
- procedures, processes and structures, including policies relating to:
    - code of conduct (e.g. Employee Code of Conduct Policy, Whistleblowers Policy);
    - the stock market (e.g. Shareholder Communications Policy, Continuous Disclosure Policy); and
    - business operations (e.g. Environmental Policy, Information Security Policy, WHS Policy)
- regularly reporting to the Board and CXO from department heads to understand how NEXTDC is performing as a company and how NEXTDC is managing its risks;
- undertaking internal audits against best practice standards to independently review corporate governance, risks and controls, and implement continuous improvements if any gaps are identified;
- ensuring a sufficient level of management and oversight. Corporate governance roles and responsibilities have been delegated to various committees and outlined in respective charters at the Board level, CXO level and senior management level.

For further details on how NEXTDC's Corporate Governance aligns with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Ed.) please refer to NEXTDC's Corporate Governance Statement which includes its Appendix 4G located at https://www.nextdc.com/our-company/corporate-governance.

NEXTDC Limited

ABN 35 143 582 521

Financial report
for the year ended 30 June 2017

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 31 August 2017.

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

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	**30 June 2017 $'000**	30 June 2016 $'000
REVENUE FROM CONTINUING OPERATIONS			
Data centre services revenue	3	**117,580**	89,284
Other revenue	3	**5,970**	3,553
Total revenue		**123,550**	**92,837**
OTHER INCOME			
Other income		**263**	559
EXPENSES			
Direct costs		**(16,603)**	(9,287)
Employee benefits expense		**(22,674)**	(23,199)
Data centre facility costs	4	**(21,475)**	(20,658)
Depreciation and amortisation expense		**(23,339)**	(17,765)
Professional fees		**(1,591)**	(2,422)
Marketing costs		**(483)**	(558)
Office and administrative expenses		**(6,044)**	(6,007)
Finance costs	4	**(18,777)**	(11,744)
Profit before income tax		**12,827**	**1,756**
Income tax benefit/(expense)	20	**10,172**	-
Profit after income tax		**22,999**	**1,756**
PROFIT IS ATTRIBUTABLE TO:			
Owners of NEXTDC Limited		**22,999**	**1,756**
OTHER COMPREHENSIVE INCOME			
Total comprehensive income		**22,999**	**1,756**
Attributable to:			
Owners of NEXTDC Limited		**22,999**	**1,756**
		Cents	Cents
PROFIT PER SHARE FOR EARNINGS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE GROUP:			
Basic earnings per share	2	**8.35**	0.79
Diluted earnings per share	2	**8.17**	0.77

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

Consolidated Balance Sheet
As at 30 June 2017

	Note	**30 June 2017 $'000**	30 June 2016 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**271,838**	191,393
Term deposits		**96,500**	-
Trade and other receivables	5	**16,215**	18,070
Other assets	6	**11,273**	11,971
Total current assets		**395,826**	**221,434**
NON-CURRENT ASSETS			
Property, plant and equipment	9	**434,267**	302,746
Other assets	6	**1,152**	1,770
Intangible assets	10	**8,538**	4,294
Deferred tax assets	21	**12,601**	-
Total non-current assets		**456,558**	**308,810**
TOTAL ASSETS		**852,384**	**530,244**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	**38,612**	27,017
Other liabilities	8	**4,400**	2,407
Finance lease liability	14	**290**	274
Total current liabilities		**43,302**	**29,698**
NON-CURRENT LIABILITIES			
Other liabilities		**104**	1,312
Provisions		**429**	227
Interest-bearing borrowings	14	**295,973**	159,547
Finance lease liability		**6,042**	6,332
Total non-current liabilities		**302,548**	**167,418**
TOTAL LIABILITIES		**345,850**	**197,116**
NET ASSETS		**506,534**	**333,128**
EQUITY			
Contributed equity	12	**524,458**	375,507
Reserves		**4,990**	3,534
Accumulated losses		**(22,914)**	(45,913)
TOTAL EQUITY		**506,534**	**333,128**

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2017

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2015		**260,094**	**2,475**	**(47,669)**	**214,900**
Profit 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	12(b)	115,063	-	-	115,063
Exercise of options / loan funded shares		350	-	-	350
Share-based payments	19(c)	-	1,059	-	1,059
Balance at 30 June 2016		**375,507**	**3,534**	**(45,913)**	**333,128**
Balance at 1 July 2016		**375,507**	**3,534**	**(45,913)**	**333,128**
Profit for the-year		-	-	22,999	22,999
Total comprehensive income		**-**	**-**	**22,999**	**22,999**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:					
Contributions of equity, net of transaction costs and tax	12(b)	148,951	-	-	148,951
Share-based payments	19(c)	-	1,456	-	1,456
Balance at 30 June 2017		**524,458**	**4,990**	**(22,914)**	**506,534**

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2017

	Note	**30 June 2017 $'000**	30 June 2016 $'000
OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**133,220**	94,639
Payments to suppliers and employees (inclusive of GST)		**(78,765)**	(69,161)
		54,455	25,478
Interest paid		**(13,311)**	(5,806)
Payments for bank guarantees		**(1,694)**	(983)
Interest received		**5,475**	3,597
Net cash inflow from operating activities	**22**	**44,925**	**22,286**
INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(143,550)**	(87,304)
Payments for term deposits		**(96,500)**	-
Payments for intangible assets		**(5,031)**	(2,074)
Net cash (outflow) from investing activities		**(245,081)**	**(89,378)**
FINANCING ACTIVITIES			
Proceeds from issue of Notes		**300,000**	100,000
Repayment of Notes		**(160,000)**	-
Transaction costs in relation to loans and borrowings		**(5,648)**	(2,550)
Transfer of funds held in escrow		**-**	(7,000)
Proceeds from issues of shares and other equity securities		**151,261**	120,310
Transaction costs paid in relation to issue of shares		**(4,738)**	(4,897)
Finance lease payments		**(274)**	(259)
Net cash inflow from financing activities		**280,601**	**205,604**
Net increase in cash and cash equivalents		**80,445**	138,512
Cash and cash equivalents at the beginning of the year		**191,393**	52,881
Cash and cash equivalents at the end of the year		**271,838**	**191,393**

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

Contents of the notes to the consolidated financial report

The 2017 financial statements notes have been grouped into the following sections:

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

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

NEXTDC Limited (the Company) is domiciled in Australia. The registered office is 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 2017 were authorised for issue in accordance with a resolution of the Directors on 31 August 2017.

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

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

• Adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2016.

• 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 2017	**Qld** $'000	**Vic** $'000	**NSW** $'000	**WA** $'000	**ACT** $'000	**Other** $'000	**Total** $'000
Revenue from external customers	14,697	51,315	41,004	8,306	1,700	558	117,580
Direct and facility costs	(3,105)	(12,851)	(13,560)	(4,907)	(3,634)	(21)	(38,078)
Employee benefits expense	(789)	(1,159)	(1,127)	(804)	(589)	(236)	(4,704)
Other expenses	(63)	(115)	(339)	(112)	(122)	(731)	(1,482)
Segment operating profit/(loss)	**10,740**	**37,190**	**25,978**	**2,483**	**(2,645)**	**(430)**	**73,316**
Depreciation and amortisation	(2,387)	(7,412)	(7,071)	(2,497)	(895)	(2,220)	(22,482)
Finance charge	(367)	-	-	-	-	-	(367)
Segment profit/(loss) before tax	**7,986**	**29,778**	**18,907**	**(14)**	**(3,540)**	**(2,650)**	**50,467**
Segment assets	90,420	152,792	118,222	41,561	24,413	6,864	434,272
Unallocated assets	-	-	-	-	-	417,897	417,897
Total segment assets	**90,420**	**152,792**	**118,222**	**41,561**	**24,413**	**424,761**	**852,169**

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	238,009
Total segment assets	**26,801**	**104,092**	**102,325**	**40,242**	**12,719**	**244,045**	**530,224**

There was no impairment charge or other significant non-cash item recognised in 2017 (2016: nil).

1 Segment performance (continued)

(c) Other segment information

(i) Profit 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 before income tax is provided as follows:

	30 June 2017 $'000	30 June 2016 $'000
Total segment profit before tax	**50,467**	35,942
Employee benefits expense (non-facility staff)	**(17,969)**	(18,055)
Interest revenue	**5,970**	3,532
Other income	**263**	579
Finance costs	**(18,410)**	(11,362)
Head office depreciation	**(857)**	(810)
Overheads and other expenses	**(6,637)**	(8,070)
Profit before income tax	**12,827**	**1,756**

A reconciliation of depreciation and amortisation is provided as follows:

	30 June 2017 $'000	30 June 2016 $'000
Segment depreciation and amortisation expense	**22,482**	16,954
Head office depreciation and amortisation expense	**857**	811
Total depreciation and amortisation expense	**23,339**	**17,765**

(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, Chief Customer Officer and Executive Vice-President of Technology, and Group Executive - Sales and Marketing.

2 Earnings per share

(a) Earnings per share

	30 June 2017 Cents	30 June 2016 Cents
Total basic EPS attributable to the ordinary equity holders of the Group	**8.35**	0.79

(b) Diluted earnings per share

Total diluted EPS attributable to the ordinary equity holders of the Group	**8.17**	0.77

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

	30 June 2017 $'000	30 June 2016 $'000
BASIC EARNINGS PER SHARE		
Profit attributable to equity holders of the Group used in calculating basic EPS:		
Profit used in calculating basic earnings per share	**22,999**	**1,756**
DILUTED EARNINGS PER SHARE		
Profit from continuing operations attributable to the equity holders of the Group:		
Used in calculating diluted earnings per share	**22,999**	**1,756**
Profit attributable to the equity holders of the Group used in calculating diluted EPS	**22,999**	**1,756**

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

	2017 Number of shares	2016 Number of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**275,298,500**	221,827,930
Plus potential ordinary shares	**6,084,962**	3,276,112
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**281,383,462**	**225,104,042**

(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 earnings 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 earnings per share.

2 Earnings per share (continued)

(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.

3 Revenue and other income

	30 June 2017 $'000	30 June 2016 $'000
FROM CONTINUING OPERATIONS		
Data centre services revenue	**117,580**	89,284
Interest income	**5,970**	3,532
Sundry revenue	**-**	21
Subtotal - other revenue	**5,970**	**3,553**
Total revenue	**123,550**	**92,837**

(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 24.

(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.

4 Expenses

	Note	**30 June 2017 $'000**	30 June 2016 $'000
EXPENSE			
Finance costs	4(a)	**(18,777)**	(11,744)
Data centre rent paid to APDC	4(b)	**(13,393)**	(13,209)

(a) Finance costs

A significant amount of the finance cost of $18.5 million incurred in the year to 30 June 2017 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"). Of the total amount, $2.6 million was incurred in relation to the conversion of Notes I and Notes II to Notes III, which was issued in June 2017.

(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 $13.4 million (2016: $13.2 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.

Operating assets and liabilities

5 Trade and other receivables

	Note	30 June 2017 $'000	30 June 2016 $'000
Trade receivables		**14,151**	16,963
Provision for impairment	5(a)	**(242)**	(983)
		13,909	**15,980**
Interest receivable	5(c)	**600**	105
GST receivable		**1,689**	1,979
Other receivables		**17**	6
Total		**16,215**	**18,070**

(a) Impaired trade receivables

The ageing of these receivables is as follows:

	30 June 2017 $'000	30 June 2016 $'000
1 to 3 months	**33**	21
4 months or greater	**209**	962
Total impaired trade receivables	**242**	**983**

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

	30 June 2017 $'000	30 June 2016 $'000
Opening balance	**983**	371
Provision for impairment recognised during the year	**(491)**	612
Receivables written off during the year as uncollectible	**198**	-
Unused amounts reversed	**(448)**	-
Closing balance	**242**	**983**

(b) Past due but not impaired

As at 30 June 2017, trade receivables of approximately $0.8 million (2016: $4.5 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:

5 Trade and other receivables (continued)

(b) Past due but not impaired (continued)

	30 June 2017 $'000	30 June 2016 $'000
Up to 3 months	**382**	1,140
More than 3 months	**457**	3,409
Total past due but not impaired	**839**	**4,549**

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

(c) Interest receivable

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

(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 2017 $'000**	30 June 2016 $'000
CURRENT			
Prepayments		**4,333**	3,013
Security deposits	6(a)	**5,758**	7,564
Customer incentives	6(b)	**893**	1,147
Other current assets		**289**	247
Total other assets - current		**11,273**	**11,971**

6 Other assets (continued)

NON-CURRENT			
Customer incentives	6(b)	**1,152**	1,770
Total other assets - non-current		**1,152**	**1,770**

(a) Security deposits

Included in the security deposits was $5.8 million (2016: $4.1 million) relating to deposits held as security for bank guarantees.

(b) Customer incentives

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

7 Trade and other payables

	30 June 2017 $'000	30 June 2016 $'000
Trade payables	**14,116**	23,566
Accrued capital expenditure	**20,397**	274
Accrued expenses	**1,818**	1,394
Other creditors	**2,281**	1,783
Total trade and other payables	**38,612**	**27,017**

Risk exposure

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

Recognition and measurement

Trade and other payables, including accruals, are recorded when the Group is required to make future payments as a result of purchases of assets or services. Trade and other payables are financial liabilities initially recognised at fair value and carried at amortised cost using the effective interest method.

8 Other liabilities

	30 June 2017 $'000	30 June 2016 $'000
CURRENT		
Other liabilities	**4,400**	2,407

(a) Other liabilities

Included in other liabilities are payments received from customers in advance of services and in some circumstances, potential overpayments from customers. If the overpayments or credits relating to future services are not expected to be used by customers in the ordinary course of business, NEXTDC may settle the liability by repaying the excess amount.

9 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 2017						
Opening net book amount	62,859	16,146	217,127	5,695	919	302,746
Additions	153,809	-	22	185	13	154,029
Depreciation charge	-	(487)	(19,390)	(2,248)	(226)	(22,351)
Disposal	(157)	-	-	-	-	(157)
Transfers	(80,699)	-	79,356	1,325	18	-
Closing net book amount	**135,812**	**15,659**	**277,115**	**4,957**	**724**	**434,267**
Cost	135,812	18,420	338,005	11,062	1,800	505,099
Accumulated depreciation	-	(2,761)	(60,890)	(6,105)	(1,076)	(70,832)
Net book amount	**135,812**	**15,659**	**277,115**	**4,957**	**724**	**434,267**
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)
Transfers	(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 or fair value	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**

LEASED ASSETS

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

	30 June 2017 $'000	30 June 2016 $'000
Buildings – at cost	**7,665**	7,665
Accumulation depreciation	**(2,213)**	(1,830)
Net book amount	**5,452**	**5,835**

(a) Property, plant and equipment

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

9 Property, plant and equipment (continued)

(a) Property, plant and equipment (continued)

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

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

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

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 15). 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 year of the lease.

10 Intangible assets

	30 June 2017 $'000	30 June 2016 $'000
Rights and licences	**43**	58
Internally generated software	**442**	901
Software under development	**8,053**	3,335
Total intangible assets	**8,538**	**4,294**

Movements	**Rights and licenses $'000**	**Internally generated software $'000**	**Software under development $'000**	**Total $'000**
30 June 2017				
Opening net book amount at 1 July 2016	58	901	3,335	4,294
Additions – externally acquired	-	-	4,053	4,053
Additions - internal development	-	-	1,179	1,179
Amortisation	(15)	(973)	-	(988)
Transfers	-	514	(514)	-
Closing net book amount	**43**	**442**	**8,053**	**8,538**
At 30 June 2017				
Cost	91	1,866	8,053	10,010
Accumulated amortisation	(48)	(1,424)	-	(1,472)
Net book amount	**43**	**442**	**8,053**	**8,538**
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)
Transfers	-	1,352	(1,352)	-
Closing net book amount	**58**	**901**	**3,335**	**4,294**
At 30 June 2016				
Cost	91	1,352	3,335	4,778
Accumulation amortisation and impairment	(33)	(451)	-	(484)
Net book amount	**58**	**901**	**3,335**	**4,294**

(a) Intangible assets

INTERNALLY GENERATED SOFTWARE

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

10 Intangible assets (continued)

(a) Intangible assets (continued)

LICENCES

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

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

SOFTWARE UNDER DEVELOPMENT

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

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

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

11 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns 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 2017 $'000	30 June 2016 $'000
Total borrowings	**302,306**	166,154
Less: cash, cash equivalents and term deposits	**(271,838)**	(191,393)
Net debt (surplus cash)	**30,468**	**(25,239)**
Total equity	**506,534**	333,127
Total capital	**537,002**	**307,888**
Gearing ratio	**6.0%**	**-%**

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

12 Contributed equity

(a) Share capital

	Note	**30 June 2017 Number of Shares**	**30 June 2017 $**	30 June 2016 Number of Shares	30 June 2016 $
Fully paid ordinary shares	12(c)	**284,197,434**	**524,458,284**	244,603,252	375,506,641
Treasury shares	12(e)	**2,769,602**	**6,202,000**	3,181,030	6,977,749
Total share capital		**286,967,036**	**530,660,284**	**247,784,282**	**382,484,390**

12 Contributed equity (continued)

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	$'000
1 July 2015	Opening balance		197,081,230	267,422
4 December 2015	Issue of capital	(c)	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**		**244,603,252**	**375,507**

Date	Details	Note	Number of shares	$'000
	Opening balance		247,784,282	382,484
14 September 2016	Issue of capital	(c)	39,182,754	150,484
14 September 2016	Transaction costs		-	(4,737)
31 December 2016	Deferred tax credit recognised directly in equity		-	2,429
	Conversion of loan funded shares	(e)	411,428	776
	Adjustment from loan funded shares	(e)	(411,428)	(776)
	Sub-total		**286,967,036**	**530,660**
30 June 2017	Less shares held by NEXTDC Share Plan Pty Ltd	(e)	(2,769,602)	(6,202)
30 June 2017	**Balance**		**284,197,434**	**524,458**

(c) Ordinary shares

In September 2016, the Group issued an additional 39,182,754 ordinary shares at an average price of $3.84.

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.

12 Contributed equity (continued)

(e) Loan funded share plan (continued)

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

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

The 2,769,602 (2016: 3,181,030) 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 $776,249 were received during the year (2016: $350,000).

	30 June 2017	30 June 2016
Number of loan-funded shares held by key management personnel	**1,768,093**	2,154,521
Number of shares held by other staff	**139,696**	164,696
Shares held by the Trust but not allocated	**861,813**	861,813
Total number of loan-funded shares	**2,769,602**	**3,181,030**

(f) Dividend reinvestment plan

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

13 Financial risk management

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

On 28 August 2017, NEXTDC announced that it had achieved financial close on A$300 million 3-year Syndicated Senior Secured debt facilities ("New Facilities") with its relationship bank, National Australia Bank ("NAB"). The New Facilities replace NEXTDC's existing A$100 million undrawn senior secured debt facility provided by NAB.

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:

13 Financial risk management (continued)

	30 June 2017 $'000	30 June 2016 $'000
FINANCIAL ASSETS		
Cash and cash equivalents	**271,838**	191,393
Term deposits	**96,500**	-
Trade and other receivables	**16,215**	18,070
Total financial assets	**384,553**	**209,463**
FINANCIAL LIABILITIES		
Trade and other payables	**38,612**	27,017
Unsecured notes	**295,973**	159,547
Finance lease liabilities	**6,332**	6,606
Total financial liabilities	**340,917**	**193,170**

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, price risk and interest rate risk.

(i) Foreign exchange risk

The Group currently only operates in Australia and its purchases are predominantly conducted in Australian dollars. Consequently, management has determined that the Group has little exposure to foreign exchange risk. On this basis, the Group does not have any active risk mitigation strategies in relation to foreign exchange risk.

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

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

The Group's main interest rate risk arises from its various fixed-rate term deposits and its senior debt facility (refer to Note 14(b)) which remained undrawn at 30 June 2017.

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 2017, 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 (2016: $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:

13 Financial risk management (continued)

(b) Credit risk (continued)

(i) Cash and cash equivalents (continued)

	30 June 2017 $'000	30 June 2016 $'000
CASH AT BANK AND SHORT-TERM DEPOSITS		
A rated	**25,000**	-
AA rated	**343,337**	191,393
TOTAL	**368,337**	**191,393**

In determining the credit quality of these financial assets, NEXTDC has used the long-term rating from Standard & Poor's as of July 2017.

(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. 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. The analysis of impairment is presented in Note 5.

As at 30 June 2017, ten (10) customers owed the Group $10.2 million (2016: $14.0 million) and accounted for approximately 82% (2016: 80%) of all the trade receivables owed to the Group. Revenues from data centre services of $37.9 million were derived from one customer (2016: $24.4 million from one customer) whose revenue comprised more than 32% (2016: 27%) of total data centre services revenue.

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

(c) Liquidity risk

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

At the end of the year, the Group held term deposits of $96.5 million (2016: $20.0 million).

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

(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.

13 Financial risk management (continued)

(c) Liquidity risk (continued)

(i) Maturities of financial liabilities (continued)

Contractual Maturities of Financial Liabilities	**Within 12 months $'000**	**Between 1 and 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
2017					
Trade payables	**14,116**	**-**	**-**	**14,116**	**14,116**
Unsecured notes	**18,750**	**360,750**	**-**	**379,500**	**295,973**
Lease liabilities	**641**	**2,565**	**6,092**	**9,298**	**6,332**
Total non-derivatives	**33,507**	**363,315**	**6,092**	**402,914**	**316,421**
2016					
Trade payables	23,565	-	-	23,565	23,565
Unsecured notes	11,800	191,600	-	203,400	159,547
Lease liabilities	641	2,565	6,734	9,940	6,606
Total non-derivatives	**36,006**	**194,165**	**6,734**	**236,905**	**189,718**

The cash flows for unsecured notes assume that the early redemption options would not be exercised by the Group.

(d) Fair value measurements

(i) Trade and other payables

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

(ii) Borrowings

The fair value of borrowings is disclosed in Note 14(d) and Note 14(e).

14 Interest-bearing loans and borrowings

	Note	**30 June 2017 $'000**	30 June 2016 $'000
CURRENT			
Finance lease - secured		**290**	274

14 Interest-bearing loans and borrowings (continued)

NON-CURRENT			
Finance lease liability		**6,042**	6,332
Unsecured notes	14(a)	**295,973**	159,547
Total non-current interest bearing loans and borrowings		**302,015**	**165,879**
Total interest-bearing loans and borrowings		**302,305**	**166,153**

(a) Unsecured Notes

In June 2017, the Group issued $300.0 million in unsecured notes ("Notes III") which replaced the existing $60.0 million ("Notes I") and $100.0 million ("Notes II"). Notes III has a coupon rate of 3.125% paid semi-annually. Although Notes III is due 9 June 2021, the Group may repay as early as 9 June 2019, and each six months thereafter. Regardless of when Notes III is redeemed, an additional 1.5% interest will also be payable on the principal.

In addition, the Group may at any time prior to 9 June 2019, redeem all or part of the Notes, upon not less than 7 days nor more than 60 days prior notice.

(b) Bank Loan

On 28 August 2017, NEXTDC announced that it had achieved financial close on A$300 million 3-year Syndicated Senior Secured debt facilities ("New Facilities") with its relationship bank, National Australia Bank ("NAB"). The New Facilities replace NEXTDC's existing A$100 million undrawn senior secured debt facility provided by NAB.

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

(c) Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2017 financial year (2016: complied).

(d) Fair value – bank borrowings

Whilst NEXTDC has an existing $100.0 million bank facility, the facility remained undrawn as at 30 June 2017.

(e) Fair value – unsecured notes

Material differences are identified for the following borrowings:

	2017		2016	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Unsecured notes	**295,973**	**304,500**	159,547	163,200

14 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

15 Commitments

(a) Capital commitments

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

	30 June 2017 $'000	30 June 2016 $'000
Property, plant and equipment	**65,539**	38,681
Total capital commitments	**65,539**	**38,681**

(b) Lease commitments: Group as lessee

(a) 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 2017 $'000	30 June 2016 $'000
Within one year	**17,401**	17,411
Later than one year but not later than 5 years	**68,754**	69,226
Later than 5 years	**102,924**	121,619
Total lease commitments	**189,079**	**208,256**

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.

15 Commitments (continued)

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

(ii) Finance leases (continued)

	30 June 2017 $'000	30 June 2016 $'000
Within one year	**641**	641
Later than one year but not later than 5 years	**2,565**	2,565
Later than 5 years	**6,092**	6,734
Minimum lease payments	**9,298**	**9,940**
Future finance charges	**(2,966)**	(3,334)
Recognised as a liability	**6,332**	**6,606**
The present value of finance lease liabilities is as follows:		
Within one year	**290**	274
Later than one year but not later than 5 years	**1,339**	1,265
Later than 5 years	**4,703**	5,067
Total finance lease liabilities	**6,332**	**6,606**

16 Contingencies

(a) Contingent assets

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

(b) Contingent liabilities

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

GUARANTEES

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

17 Events occurring after the reporting period

On 31 July 2017, NEXTDC announced an unconditional all-cash off-market takeover offer to acquire all the securities of Asia Pacific Data Centre Group (ASX: AJD). On 25 August 2017, the Directors of AJD unanimously recommended acceptance of this offer. As at the date of this report, NEXTDC had a 21.1% relevant interest in APDC.

On 28 August 2017, NEXTDC announced that it had achieved financial close on A$300 million 3-year Syndicated Senior Secured debt facilities ("New Facilities") with its relationship bank, National Australia Bank ("NAB"). The New Facilities replace NEXTDC's existing A$100 million undrawn senior secured debt facility provided by NAB.

Employee remuneration

18 Key management personnel

(a) Key management personnel compensation

	30 June 2017 $	30 June 2016 $
Short-term employee benefits	**4,633,353**	4,255,925
Post-employment benefits	**157,424**	152,812
Long-term benefits	**190,618**	340,564
Share-based payments	**1,008,949**	768,037
Total key management personnel compensation	**5,990,344**	**5,517,338**
Comprising		
Senior Executives	**5,426,010**	5,005,414
Non-Executive Directors	**564,334**	511,924
Total	**5,990,344**	**5,517,338**

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 (2016: nil).

(c) Other transactions with key management personnel

There were no other transactions with key management personnel during the year (2016: nil).

19 Share-based payments

(a) Performance rights

The performance rights plan was established by the Board of Directors to provide long-term incentives to the Group’s Senior Executives based on total shareholder returns (TSR) taking into account the Group’s financial and operational performance. Under the Plan, eligible participants may be granted rights on terms and conditions determined by the Board from time to time. Performance rights were granted in FY15, FY16 and FY17. The vesting conditions, which relate to TSR exceeding the All-Ordinaries over the same measurement period, will be tested on 30 June 2017, 2018 and 2019 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%.

19 Share-based payments (continued)

(a) Performance rights (continued)

	30 June 2017 Number of Rights	**30 June 2017 Average Fair Value**	30 June 2016 Number of Rights	30 June 2016 Average fair value
Opening balance	**2,616,301**	**$1.13**	1,303,344	$1.05
Granted during the year	**887,225**	**$1.63**	1,352,771	$1.18
Vested during the year	**-**	**$0.00**	-	$0.00
Forfeited during the year	**(43,331)**	**$1.11**	(39,814)	$0.98
Closing balance	**3,460,195**	**$1.26**	**2,616,301**	**$1.13**

(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 2,769,602 (2016: 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 2017 Number of Shares	**30 June 2017 Average Exercise Price**	30 June 2016 Number of Shares	30 June 2016 Average Exercise Price
As at 1 July	**2,319,217**	**$2.21**	2,519,217	$2.17
Granted during the year	**-**	**-**	-	-
Settled/repaid during the year	**(411,428)**	**$1.89**	(200,000)	$1.75
As at 30 June (allocated to employees)	**1,907,789**	**$2.28**	**2,319,217**	**$2.21**
Vested and exercisable at 30 June	**1,907,789**	**$2.28**	1,877,194	$2.20

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:

19 Share-based payments (continued)

(b) Loan Funded Share Plan (continued)

	30 June 2017	30 June 2016
Number of loan funded shares issued to employees	**1,907,789**	2,319,217
Number of loan funded shares unallocated	**861,813**	861,813
Total number of loan funded shares on issue	**2,769,602**	**3,181,030**

The weighted average remaining life of the loan funded shares was 0.37 years (2016: 1.37 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 2017 $'000	30 June 2016 $'000
Rights to deferred shares	**18**	73
Performance rights	**1,438**	986
Total expenses arising from share-based payment transactions	**1,456**	**1,059**

Other

20 Income tax

Income tax expense

	30 June 2017 $'000	30 June 2016 $'000
Current tax		
Current tax on profits for the year	**4,424**	363
Utilisation of tax attributes that have not previously been booked	**-**	(363)
Sub-total	**4,424**	**-**
Deferred income tax		
Increase in deferred tax assets less deferred tax credited to equity	**(14,368)**	247
(Decrease) in deferred tax liabilities	**(228)**	(247)
Sub-total	**(14,596)**	**-**
Income tax expense is attributable to:		
Profit from continuing operations	**(10,172)**	-
Profit from continuing operations	**(10,172)**	-

Numerical reconciliation of income tax expense to prima facie tax payable

	30 June 2017 $'000	30 June 2016 $'000
Profit from continuing operations before income tax expense	**12,827**	1,756
Tax credit at the Australian tax rate of 30%	**3,848**	527
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	**18**	13
Share-based payments	**437**	318
Previously unrecognised tax losses now recouped to reduce current tax expense	**-**	(363)
Capital raising costs allowed as a deduction	**(1,061)**	-
Recognition of previously unrecognised timing differences	**(790)**	(495)
Recognition of unused tax losses as a tax benefit	**(12,624)**	-
Income tax expense	**(10,172)**	**-**

20 Income tax (continued)

Tax losses

	30 June 2017 $'000	30 June 2016 $'000
Unused tax losses for which no deferred tax asset has been recognised	**-**	42,081
Potential tax benefit @ 30.0%	**-**	12,624

Income tax

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

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

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

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

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

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

21 Deferred tax

(a) Deferred tax assets

	30 June 2017 $'000	30 June 2016 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**8,200**	-
Black-hole expenditure deductible in future years	**2,159**	1,781
Finance lease provisions	**1,900**	1,982
Employee benefits	**1,296**	1,006
Borrowing costs	**253**	382
Provisions for doubtful debts	**73**	205
Expenses deductible in future years	**166**	82
Revenue received in advance	**983**	33
Total deferred tax assets	**15,030**	**5,471**
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 21(b))	**(2,429)**	(2,657)
Deferred tax assets not recognised	**-**	(2,814)
Net deferred tax assets	**12,601**	**-**
Deferred tax assets expected to be recovered within 12 months	**7,616**	-
Deferred tax assets expected to be recovered after more than 12 months	**7,414**	-
	15,030	**-**

(b) Deferred tax liabilities

	30 June 2017 $'000	30 June 2016 $'000
The balance comprises temporary differences attributable to:		
Accrued interest	**180**	31
Finance lease asset	**1,636**	1,751
Customer incentives	**613**	875
Total deferred tax liabilities	**2,429**	**2,657**
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 21(a))	**(2,429)**	(2,657)
Net deferred tax liabilities	**-**	**-**
Deferred tax liabilities expected to be settled within 12 months	**523**	776
Deferred tax liabilities expected to be settled after more than 12 months	**1,906**	1,881
Total	**2,429**	**2,657**

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

	30 June 2017 $'000	30 June 2016 $'000
Profit for the year after income tax	**22,784**	**1,756**
Depreciation and amortisation	**23,339**	17,765
Non-cash employee benefits expense share-based payments	**1,456**	1,059
CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) in trade debtors	**1,778**	(6,742)
(Increase) in prepayments and other current assets	**561**	(498)
(Increase) / decrease in interest receivable	**(495)**	65
(Increase) in cash used in bank guarantee	**(1,694)**	(983)
(Increase) in other assets	**197**	(251)
(Increase) / decrease in GST	**(409)**	(1,296)
Decrease in customer incentives	**872**	375
(Increase) / decrease in deferred tax assets	**(9,957)**	-
Increase in trade payables	**(723)**	1,306
Increase in other operating liabilities	**953**	3,517
Increase in employee entitlements	**1,073**	709
(Decrease) / increase in other provisions	**-**	(221)
Increase in interest payable	**5,190**	5,725
Net cash inflow from operating activities	**44,925**	**22,286**

23 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

	2017 $	2016 $
AUDIT AND OTHER ASSURANCE SERVICES		
Audit and review of financial statements	**224,400**	185,453
TAXATION SERVICES		
Tax compliance services	**15,710**	15,670
OTHER SERVICES		
Other professional services	**-**	37,848
Total remuneration of PwC Australia	**240,110**	**238,971**

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.

23 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.

24 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 2016 to 30 June 2017. The comparative reporting period is 1 July 2015 to 30 June 2016.

(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 2016 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 2016.

(iv) Historical cost convention

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

24 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.

(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.

24 Summary of significant accounting policies (continued)

(h) Cash and cash equivalents

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

(i) Investments and other financial assets

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) 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.

24 Summary of significant accounting policies (continued)

(k) Provisions (continued)

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

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

(l) Employee benefits

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.

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.

RETIREMENT BENEFIT OBLIGATIONS

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

(m) Rounding of amounts

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

24 Summary of significant accounting policies (continued)

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Consolidated Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(o) Parent entity financial information

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

(p) 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 2016 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 2016, 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.

The implementation of AASB 16 is expected to result in the elimination of property rental expense in the Statement of Comprehensive Income, resulting in lower 'Data centre facility costs'. In addition, the implementation is also expected to result in a significant increase in reported total property, plant and equipment and financial liabilities. NEXTDC intends to adopt AASB 16 in the reporting period beginning 1 July 2018.

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.

24 Summary of significant accounting policies (continued)

(p) New and amended standards adopted by the Company (continued)

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

AASB 15 Revenue from Contracts with Customers

In December 2014, the AASB issued AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15. In October 2015, the AASB issued AASB 2015-8: Amendments to Australian Accounting Standards - Effective Date of AASB 15 which deferred the effective date of the new revenue standard from 1 January 2018 to 1 January 2018. In May 2016, the AASB issued AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15.

AASB 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers and requires application of a five-step process to identify the contract with the customer, identify performance obligations in the contract, determine transaction price, allocate the transaction price to the performance obligations and recognise revenue when performance obligations are satisfied. AASB 15, 2014-5, AASB 2015-8 and AASB 2016-3 apply to NEXTDC from 1 July 2018, with early application permitted.

The Group is continuing its analysis and assessment of the impact of the new revenue standard on its financial results. This includes identifying changes to accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objective of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements. The outcome of this analysis will ultimately determine the adoption approach and the application of the transition provisions of the new standard.

(q) 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 2017

In the Directors' opinion:

(a) the financial statements and notes set out on pages 50 to 90 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 2017 and of its performance for the financial 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 24 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
31 August 2017

Independent auditor's report to the members of NEXTDC Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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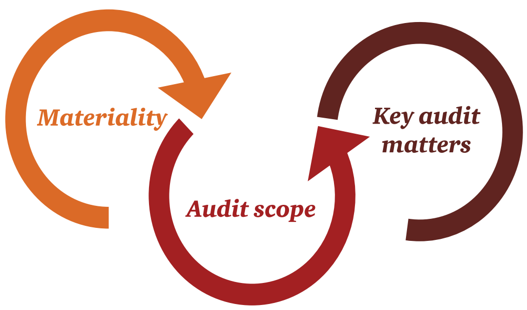
Our audit approach

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

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



Materiality

- For the purpose of our audit we used overall group materiality of $1.2 million, which represents approximately 2.5% of the Group's Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA).
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose EBITDA as the benchmark because, in our view, it is the metric against which the performance of the Group is most commonly measured. We selected 2.5% based on our professional judgement noting that it is within the range of acceptable quantitative materiality thresholds.

Audit scope

- NEXTDC has Data Centres operating in capital cities across Australia, with its finance function based in Brisbane, where we performed most of our audit procedures.
- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We engaged PwC taxation specialists to perform specific procedures as part of our audit.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee:
  - Revenue recognition
  - Assessment of indicators of impairment of Property, Plant and Equipment
  - Non-current asset additions
  - Recoverability of deferred tax asset arising on brought forward tax losses
- These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition *Refer to note 3 of the financial report ($123.6m)* As noted in the Group's accounting policy 3(a) to the financial report, the bespoke service contracts offered to NEXTDC customers include a variety of obligations and conditions which introduce complexity in the recognition and measurement of the Group's revenues. In particular, establishment fees and customer incentives are identified separately in customer contracts. Judgement exists over whether the associated performance service obligation has been met for the establishment fees and customer incentives. This was a key audit matter because of the importance of revenue to the Consolidated Statement of Comprehensive Income and the judgement involved in the accounting treatment of establishment fees and customer incentives.	Our audit approach was designed to identify and test the accounting for the material performance service obligations in customer contracts, and included the following: • Testing a sample of new and significant customer contracts, checking that each performance service obligation was appropriately identified and that revenue was recognised only when those obligations were satisfied. Based on the work performed, service obligations and associated revenue recognition practices employed were appropriate for the selected sample. • Performing testing over a sample of revenue transactions, using data analytic techniques and reconciling revenue to cash received. No material differences were noted, individually or in aggregate. • Assessing that the accounting treatment for the various revenue obligations was in line with accounting standards – specifically performing separate testing over establishment fees, customer incentives, and payments made by the customer in advance of the delivery of services, which involved testing these streams on a sample basis. This included examination of the customer contract, identification of the service obligations and an examination of the Group's accounting for any unusual terms.
Assessment of indicators of impairment of Property, Plant and Equipment *Refer to note 9 of the financial report ($434.3m)* The assessment of property, plant and equipment for indicators of impairment was a key audit matter as it involved judgement and consideration of both internal and external indicators of impairment, which in turn required an understanding of both the business and the wider industry. As evidenced through the Segment performance note (note 1), there are varying levels of profitability across each of the data centres. Specifically, data	To evaluate the Group's assessment of whether any indicators of impairment existed at the balance sheet date we: • Compared the actual results for each data centre for the year ended 30 June 2017 to budget in order to evaluate whether the data centre is performing in line with budget, • Obtained the budgets and forecasts for each data centre to determine whether future profitability is expected at levels that do not indicate a potential impairment,

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>centres that are at an earlier stage of their lifecycle and which currently have lower levels of utilisation are focused upon in considering impairment risks. In this period, there was a focus on Canberra 1 (C1) which was identified as being at higher risk of impairment. Therefore our testing focussed on this data centre. Lower profitability at early stage data centres is common in the industry as the level of fixed costs in the early stages of a data centre's lifecycle are higher than revenue until a sufficient number of customer contracts are secured.</td><td>Obtained support that the Group intends to invest further in early stage data centres through consideration of budgets and commitments,
Evaluated relevant external market data, including industry and economic forecasts,
Evaluated the potential for future profitability at early stage data centres by assessing the sales and opportunity pipeline. We found that these indicated profitability at the data centres at levels that do not indicate a potential impairment,
Considered the Group's historical track record of profitability from early stage data centres, and
Considered recent market transactions for similar data centres in the Australian market.</td></tr>
<tr><td>Non-current asset additions
Refer to notes 9 ($154.0m) and 10 ($5.2m) of the financial report

NEXTDC has recently announced investment into three new data centres in Sydney, Melbourne and Brisbane, and is continuing its investment into existing data centre infrastructure. In addition, NEXTDC is developing new products such as ONEDC and AXON. Each of these projects requires significant capital outlay which results in the capitalisation of external and internal costs into Property, Plant and Equipment and Intangible Assets.

During the current year, $154m has been capitalised as additions to Property, Plant and Equipment, while $5.2m has been capitalised to Intangible Assets.

Costs should be capitalised in line with Australian Accounting Standards which outline the criteria required for the eligibility of costs to be capitalised. Judgement is often required to determine whether certain costs or classes of transactions meet the criteria for capitalisation.

This was a key audit matter because of the:
Significance of the additions' balance to the Consolidated Balance Sheet,
Potential significance of the additions balance to the Statement of Comprehensive Income should the costs not meet the criteria required for capitalisation.</td><td>Our audit approach included the testing of individually large value additions, while the residual balance of additions were tested on a sample basis. Additional focus was paid to internal costs capitalised as these are deemed more judgemental. In particular, costs relating to salaries and wages were an area of focus.

Our testing included:
Developing an understanding of and evaluating the Group's cost capitalisation policy,
Consideration of the processes implemented by the Group for the measurement of capitalised costs,
Testing the samples noted above to supporting documentation and considering whether they meet the criteria for capitalisation with reference to Australian Accounting Standards.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax asset arising on brought forward tax losses *Refer to note 21 ($8.2m) of the financial report* During the year, unutilised tax losses arising in previous years totalling $8.2m were recognised by NEXTDC as an asset in the Consolidated Balance Sheet. This was a key audit matter due to the judgement and estimation involved in determining whether it is appropriate to recognise a deferred tax asset in relation to tax losses. An assessment was performed by the Group of the expected future taxable profit against which these tax losses could be utilised to reduce the future tax payable.	Our audit approach over recoverability of tax losses included: • Engaging PwC tax specialists to assist in the audit of tax losses, • Obtaining the Group's forecast for future taxable income and evaluating the assumptions underlying the forecast, • Considering the timeframe for forecast utilisation of the losses available, where we considered whether taxable income arises within a reasonable time period.

Other information

The directors are responsible for the other information. The other information comprises the Letter from Chairman and CEO, NEXTDC value proposition and business strategy, Directors' Report, Corporate Governance Statement, Shareholder's Information and Corporate Directory included in the Group's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 22 to 45 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of NEXTDC Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan
Partner
Brisbane
31 August 2017

The following shareholder information was applicable as at 11 August 2017.

Distribution of equity securities

Holding	Number of investors	Number of securities
100,001 and over	127	224,737,962
10,001 - 100,000	1,500	35,875,634
5,001 - 10,000	1,586	11,654,094
1,001 - 5,000	4,027	10,832,614
1 - 1000	2,351	1,097,130
Total	**9,591**	**284,197,434**
Unmarketable parcels	380	7,197

Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number held	Percentage of issued shares
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	60,054,584	21.13%
2. J P MORGAN NOMINEES AUSTRALIA LIMITED	52,226,483	18.38%
3. CITICORP NOMINEES PTY LIMITED	26,680,116	9.39%
4. NATIONAL NOMINEES LIMITED	20,771,343	7.31%
5. BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	10,582,986	3.72%
6. BNP PARIBAS NOMS PTY LTD <DRP>	8,363,124	2.94%
7. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <VFA A/C>	4,260,328	1.50%
8. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	3,094,079	1.09%
9. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	1,991,843	0.70%
10. UBS NOMINEES PTY LTD	1,962,561	0.69%
11. CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,257,295	0.44%
12. BNP PARIBAS NOMS (NZ) LTD <DRP>	1,184,666	0.42%
13. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,147,154	0.40%
14. BLUE STAMP COMPANY PTY LTD <BLUE STAMP A/C>	1,099,202	0.39%
15. CRAIG SCROGGIE	1,042,043	0.36%
16. AUST EXECUTOR TRUSTEES LTD <DS CAPITAL GROWTH FUND>	1,004,674	0.35%
17. FORESTER INVESTMENTS PTY LIMITED <WELLINGTON SUPER FUND A/C>	983,575	0.35%
18. BOND STREET CUSTODIANS LTD <MACQUARIE SMALLER CO'S A/C>	953,574	0.34%
19. AMP LIFE LIMITED	893,471	0.31%
20. SUAVE INVESTMENTS PTY LTD	700,079	0.25%
	200,253,180	**70.46%**

Unquoted equity securities	**Number on issue**	**Number of holders**
Performance rights - issued in FY15	1,273,812	12
Performance rights - issued in FY16	1,307,885	12
Performance rights - issued in FY17	878,497	16

Substantial holders

Substantial holders	**Number held**	**Percentage of issued shares**
Yarra Funds Management Limited	25,277,278	8.81%
H.E.S.T. Australia Limited	18,766,528	6.54%
AustralianSuper Pty Ltd	16,330,819	5.69%
Ryder Investment Management	14,794,158	5.16%
Commonwealth Bank of Australia	14,409,555	5.02%

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.

Directors	Douglas Flynn *Chairman*
	Craig Scroggie *Chief Executive Officer*
	Elizabeth Gaines (resigned 31 January 2017) *Non-Executive Director*
	Stuart Davis *Non-Executive Director*
	Gregory J Clark *Non-Executive Director*
	Sharon Warburton (appointed 1 April 2017) *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 480 Queen 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.