NEXTDC
where the cloud lives™

FY21

ANNUAL REPORT

CONTENTS

VISION AND PURPOSE

OUR VISION

IS TO HELP ENTERPRISES HARNESS THE DIGITAL AGE, IMPROVING OUR SOCIETY THROUGH THE ADVANCEMENT OF TECHNOLOGY.

OUR PURPOSE

IS TO BE THE LEADING CUSTOMER-CENTRIC DATA CENTRE SERVICES COMPANY, DELIVERING SOLUTIONS THAT POWER, SECURE AND CONNECT ENTERPRISE.

HIGHLIGHTS

271

EMPLOYEES

S1 Sydney

4 Eden Park Drive
Macquarie Park NSW 2113

S2 Sydney

6-8 Giffnock Avenue
Macquarie Park NSW 2113

S3 Sydney

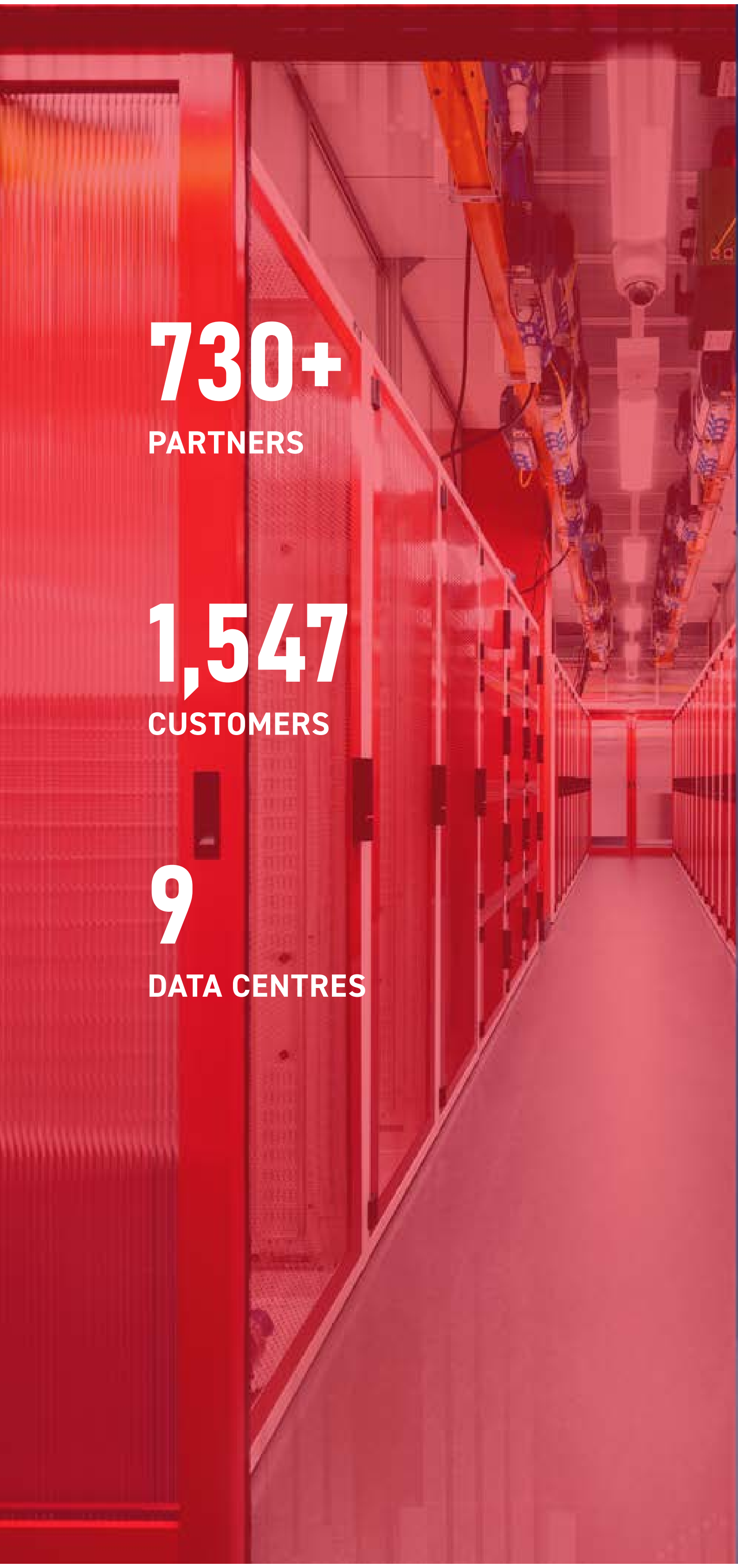
6 Broadcast Way
Artamon NSW 2064

B1 Brisbane

20 Wharf Street
Brisbane City QLD 4000

B2 Brisbane

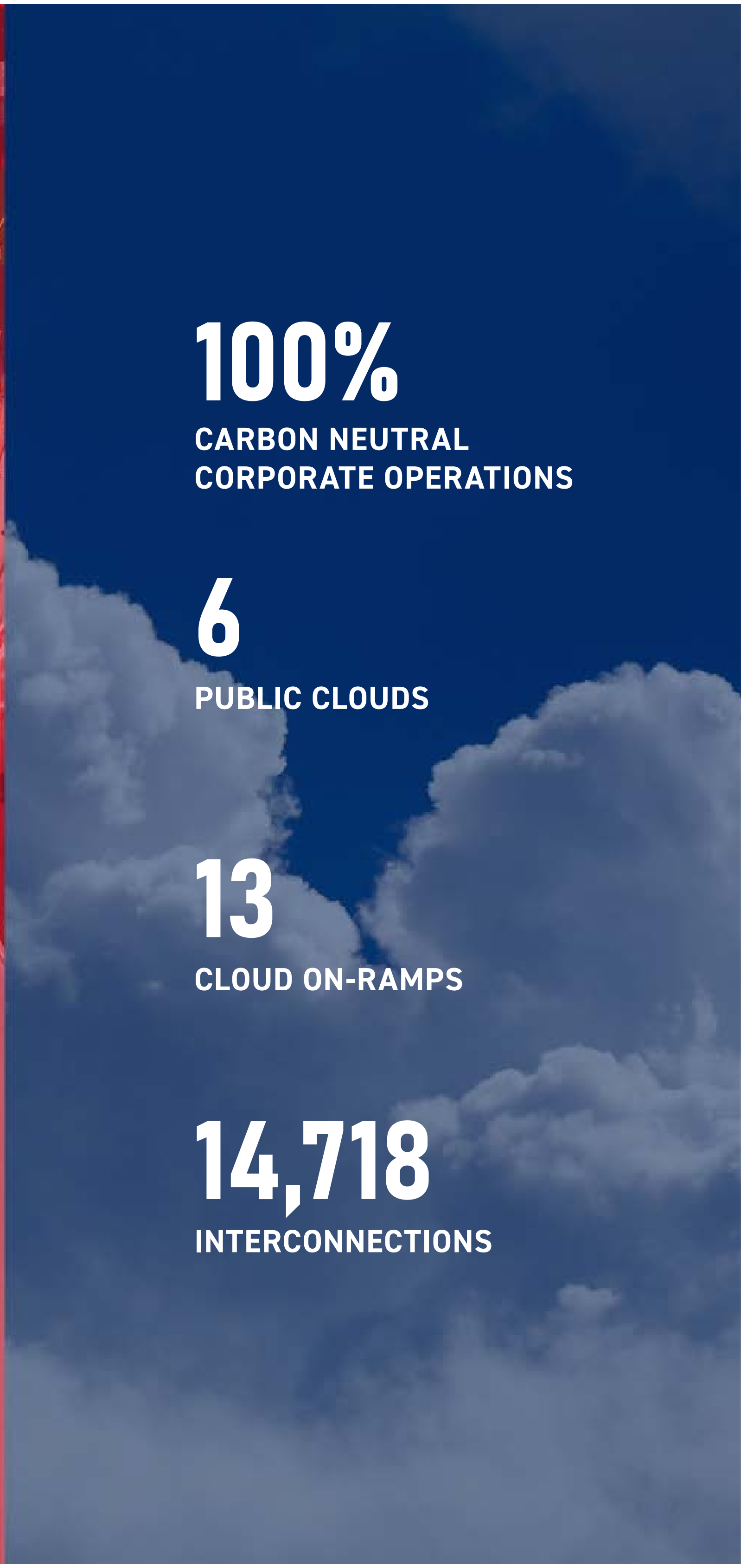
454 St Pauls Terrace
Fortitude Valley QLD 4006



730+
PARTNERS

1,547
CUSTOMERS

9
DATA CENTRES



100%
CARBON NEUTRAL
CORPORATE OPERATIONS

6
PUBLIC CLOUDS

13
CLOUD ON-RAMPS

14,718
INTERCONNECTIONS

C1 Canberra
19 Battye Street
Bruce ACT 2617

M1 Melbourne
826 Lorimer Street,
Port Melbourne VIC 3207

M2 Melbourne
75 Sharps Road
Tullamarine VIC 3043

M3 Melbourne
Indwe Street,
West Footscray VIC 3012

P1 Perth
4 Millrose Drive
Malaga WA 6090

P2 Perth
11 Newcastle Street
Perth WA 6000

AWARDS AND CERTIFICATIONS

Awards

Frost & Sullivan

2021 Winner: Australian Data Centre Services Company of the Year

2020 Leader: Australian Data Centre Services Radar Report

2019 Winner: Visionary Innovation Leadership Award, Global Data Centre Infrastructure and Operations

2017 Winner: Data Centre Services Growth Excellence

2016 Winner: Data Centre Services Growth Excellence Leadership Award

2014 Winner: Australia Data Centre Service Provider of the Year Award

APAC Business Awards

2021 Winner: Australia's Most Reliable Data Centre Provider

Australian Business Awards

2020 Winner: Sustainable Company of the Year

Uptime Brill Awards, Asia-Pacific

2019 Winner: Best Practices Award - Global Data Centre Infrastructure and Operations Visionary Innovation Leadership Award

2015 Winner: Efficient IT in the Product Solutions category

Datacenter Dynamics Awards

2018 Winner: Data Centre Operations Team of the Year, Asia-Pacific

2018 Winner: Data Centre Operations Team of the Year, Global

2018 Winner: Data Centre Design Team of the Year, Global

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

Deloitte Tech Fast Awards

2014 #1 Deloitte Technology Fast 50 Australia

2014 #6 Deloitte Technology Fast 500 APAC

2017 #5 highest revenue of Fast 100 companies

2014 #3 fastest-growing Australian company over the past three years

Queensland Awards

2016 Winner: AXON – Industrial and Primary Industries category

2016 Winner: AXON – Infrastructure and Platforms Innovation of the Year

ARN ICT industry Awards

2017 Highly Commended: Jeff Van Zetten, Head of Engineering and Design – Technical Excellence

2015 Winner: AXONVX – Best Telecommunications Initiative of the Year

2014 Winner: Telecommunications Vendor of the Year

2015 Winner: Service Provider of the Year

2014 Winner: Service Provider of the Year

Master Builders Association Excellence in Construction Awards

2018 Winner: B2 – Brisbane – Best commercial building $5 - $50M

2016 Winner: S1 Sydney – Communications Buildings

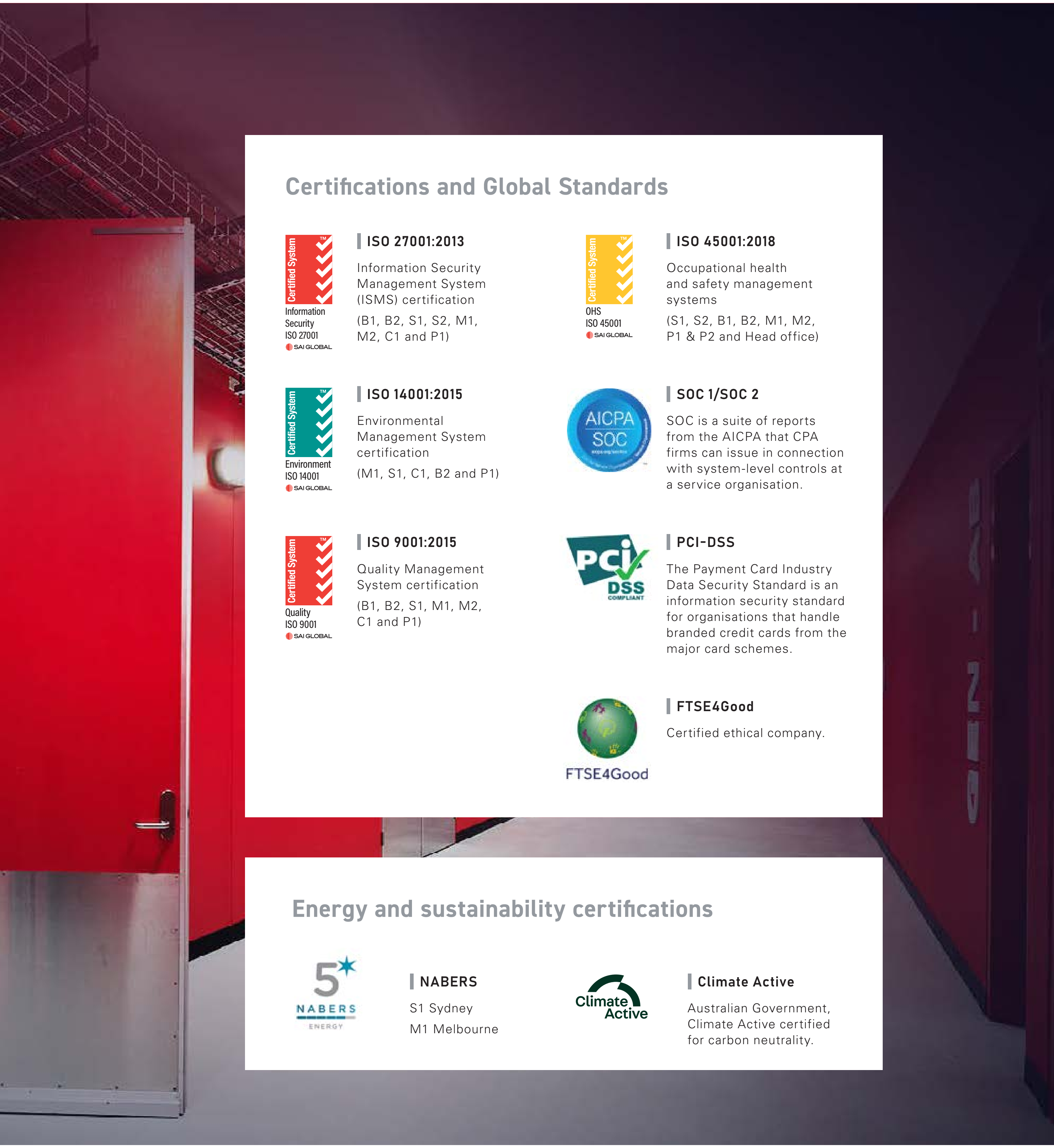
Lord Mayor's Business Awards

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

Datacloud Asia

2017 Excellence in Data Centre IT Architecture and Design

Uptime Institute Certifications



Certifications and Global Standards

ISO 27001:2013

Information Security Management System (ISMS) certification

(B1, B2, S1, S2, M1, M2, C1 and P1)

ISO 45001:2018

Occupational health and safety management systems

(S1, S2, B1, B2, M1, M2, P1 & P2 and Head office)

ISO 14001:2015

Environmental Management System certification

(M1, S1, C1, B2 and P1)

SOC 1/SOC 2

SOC is a suite of reports from the AICPA that CPA firms can issue in connection with system-level controls at a service organisation.

ISO 9001:2015

Quality Management System certification

(B1, B2, S1, M1, M2, C1 and P1)

PCI-DSS

The Payment Card Industry Data Security Standard is an information security standard for organisations that handle branded credit cards from the major card schemes.

FTSE4Good

Certified ethical company.

Energy and sustainability certifications

NABERS

S1 Sydney

M1 Melbourne

Climate Active

Australian Government, Climate Active certified for carbon neutrality.

LETTER FROM THE CHAIRMAN AND CEO

On behalf of the NEXTDC team, we welcome you to the FY21 Annual Report covering the 12-month financial reporting period ending 30 June 2021. This year's report highlights another year of strategic capital investment and strong growth, setting new benchmarks for on time delivery, revenue and EBITDA performance.

Building tomorrow's digital infrastructure today

Now in our second decade of operations, NEXTDC remains focussed on building the nation's leading digital infrastructure platform underpinning the growth of the digital economy. We continue to invest in our people, processes and technology and to forge new industry standards for safety, reliability, efficiency, sustainability, connectivity, security and customer experience.

The fourth industrial revolution

We are now living in the 4th industrial revolution – the cyber physical age. There has never been a time of greater opportunity. Digital transformation continues to change the world in exciting and disruptive ways. It enables enterprises and governments to improve the quality of services they deliver and is the mechanism by which business becomes more flexible and agile, reducing cost, improving productivity and enabling growth.

A digital-first world

Gartner forecasts that worldwide public cloud spend will grow 23.1% in 2021 to US$332.3 billion. In Australia, Gartner forecasts organisations will spend A$10.6 billion on public cloud this year, an increase of 18.4% from 2020. This survey also found almost 70% of organisations using cloud services today plan to increase their cloud spending. Gartner also forecasts Software-as-a-Service (SaaS) to reach A$5.7 billion in Australia in 2021 whilst Infrastructure-as-a-Service (IaaS) and Desktop-as-a-Service (DaaS) will also see significant growth in 2021 (30.2% and 57.7% respectively).

The elastic enterprise

Cloud strategies enable organisations that are data driven to put decision making at the heart of their operations. Today's modern organisations understand that they can't be sure where the next disruption is going to come from, but they can have the ability to respond with elastic business processes that enable them to pivot.

The cloud allows flexible, pay-per-use computing, with 92% of enterprises adopting a Multi-Cloud strategy and 82% leaning heavily into Hybrid Cloud. On average each such organisation is now using 2.6 public and 2.7 private cloud environments.

Changing work practices

The global pandemic ushered in the world's single largest work from home experiment and despite being almost 18 months on, it continues to challenge and reshape our everyday lives. This change in how we physically connect created a compelling event that is driving the greatest digital transformation we have witnessed in our generation. As the world moves forward with new ways of working, digital infrastructure is intrinsic to commerce. We are seeing a shift in organisations' real estate strategies as their staff have recognised that work is an activity we do, and not necessarily somewhere we go. It's also driving an acceleration away from on-premise office data centres, to secure colocation, where infrastructure is flexible, hybrid and data can be accessed by a multiplicity of networks, as it moves across application and service providers, in and out of the cloud.

Leading a sustainable digital future

During FY21 we launched NEXTneutral, a solution that enables our customers to offset carbon emissions from their IT footprint. As a first-in-market sustainability program accredited under the Australian Federal Government's Climate Active initiative, NEXTneutral signifies an important sustainability milestone in this country. NEXTneutral is also the next step in our ongoing focus to minimise our environmental footprint. Central to that focus is helping our customers meet their own carbon reduction objectives.

Safety is everyone's responsibility

Reinforcing our safety-first culture is an ongoing priority. In FY21, the Company achieved ISO 45001 certification for Workplace Health and Safety as well as recruited a dedicated and experienced senior leader as Head of Safety. Over 500,000 capital work hours were completed during FY21 without a Lost Time Injury. We also implemented an industry leading five-point PPE standard across all construction activities and engaged independent safety consultants to conduct inspections at all our sites. We continuously review and improve our systems and work closely with our people, customers and suppliers to achieve our goal of zero injuries.

Connectivity is the enabler of a Hybrid and Multi-Cloud world

Connectivity is the glue that binds the internet. With customers needing to interconnect to multiple clouds, this diversity of service aggregation requires a new generation of agile connectivity platforms to integrate the needs of the customer. Our partnerships with the world's leading technology companies such as AWS, Microsoft, Google, IBM, Oracle, Alibaba and OVHcloud continue to flourish. When combined with our Cloud Centre partner ecosystem of over 730 of Australia's ICT and digital services providers and enabled by our AXON connectivity across Australia, NEXTDC can offer our customers the widest range of Hybrid/Multi-Cloud enterprise architectures in the market.

Data is the new oil

According to IDC's Global DataSphere, data creation across the globe defied the systemic downward pressure asserted by the COVID-19 pandemic on many industries, and its impact will be felt for several years. The amount of digital data created over the next five years will be greater than twice the amount of data created since the advent of digital storage.

Enterprise customer growth

Our extensive enterprise and government customer footprint continues to attract cloud service provider on-ramps to our metropolitan locations. The same is true for enterprise customers who want to form part of these digital communities and take advantage of low latency access to public and private clouds. This performance is reflected in our FY21 results where we acquired 183 new local and international enterprise customers.

Innovation, engineering, and design excellence

In FY21, NEXTDC continued to be recognised for our global industry leadership in data centre engineering and design, customer experience and energy efficiency. We are maintaining our Uptime Institute (UI) Tier III certification for our first-generation facilities and Tier IV certification for the design, construction and operations for our second-generation sites. In FY21, both S1 and P1 completed their recertification of the UI Operational Sustainability assessment and received Tier III Gold again with improved audit performance. This achievement now includes S1, P1, B2 and M2 and is testament to the operational, engineering and supply chain excellence at those sites underpinned by our 100% uptime guarantee. Meanwhile, P2 and S2 both also achieved Tier IV certification for built environments. Our data centres are the only colocation facilities in the Southern Hemisphere to achieve this level of independently certified operational excellence.

NEXTDC operational excellence

In FY21 we further bolstered our operational compliance framework with the launch of our operational audit program to deliver the highest level of service quality and business continuity. Our NEXTDC Operational Excellence (NOE) framework delivers on our commitment to 100% uptime by combining the critical compliance elements of quality, safety, sustainability, facilities management, central operations, IT service management and customer experience across our fleet, into an integrated audit program.

Energy efficiency and sustainability leadership

In FY21 NEXTDC maintained our commitment to delivering the highest levels of energy efficiency driven by innovative design, engineering and operational excellence, offering customers Australia's most environmentally friendly, sustainably managed data centres. Our M1 and S1 data centres were the first in Australia to achieve a National Australian Built Environment Rating System (NABERS) 5-Star rating for energy efficiency. Achieving this unparalleled benchmark demonstrates our global leadership in energy efficiency and sustainability. NEXTDC is proud to own and operate our own solar array on the roof of the M1 data centre and we are currently installing another on the roof of S1. We have also been a principal Partner to the Melbourne Renewable Energy Project (MREP) since its inception in 2014.

Machine learning and investing in the future of data centre Artificial Intelligence

Our award-winning facilities management, central operations and engineering teams collaborate to continually improve the efficiency of the facilities and deliver real-time facility tuning to achieve optimal efficiency. Together they have implemented a framework to optimise data centre performance that adjusts plant settings such as fan speeds, water pressure and temperatures to align computing load with prevailing weather conditions. This critical body of work is supported by machine-learning data sets comprising years of telemetric information on the environmental conditions in which they operate. We are currently working in partnership with La Trobe University School of Cognitive Analytics on PhD research in this area. Ultimately, this innovation serves to improve our industry leading power efficiency, which in turn reduces the power costs and carbon footprint for our customers.

Record development activity in Victoria

In the past 12 months, NEXTDC again set new benchmarks with our development program. Contracted hyperscale capacity in Victoria was successfully delivered despite challenging construction conditions caused by COVID-19, with 9MW of new capacity built and commissioned on-time and on-budget at the M2 site. Construction work has now begun for an additional 9MW of capacity to support customer expansion at M2, which is scheduled for delivery during Q4FY22. The addition of 18MW of long-term capacity is just the beginning of our growth plans in Australia's second largest city.

Sydney is Australia's leading digital gateway

During FY21, growth in demand from customers in NSW/ACT saw the Company reach contracted utilisation of 41MW in this region. S2 is approaching full capacity and we expect to transition further demand across to S3, which is scheduled to come online during the second half of FY22. The completion of fit-out of S2 in FY21 marks several ground-breaking developments in the data centre industry in Australia. Utilising new design innovations and technical excellence benchmarks in a multi-storey development, S2 is already delivering the long-term energy efficiency benchmarks promised by its design. As utilisation grew, PUE's below 1.2 have already been achieved and the facility is now on track to achieve its targeted annualised PUE of 1.29 in FY22. Our average PUE performance across the national fleet during FY21 was 1.4. These are outstanding energy efficiency results, well ahead of Australian industry averages of around 1.7.

Securing the next decade of pipeline development in gateway regions

We have secured critical expansion capacity for the next decade of growth. Our single largest landholding to date was secured in Western Sydney for S4 Sydney, a new hyperscale campus in Horsley Park with a target capacity of 300MW. During FY21, we also received development approval for M3 Melbourne and secured expansion land for that 150MW campus located in West Footscray, which is already under construction.

Accelerating digital growth opportunities in Western Australia

P2 in Perth opened to customers in Q1 FY21. It is our second-generation facility in Western Australia and is the premier digital infrastructure platform in the city's CBD. Certified as Tier IV for Design and Construction, it is connected by subsea cable to Sydney and Singapore providing an unprecedented opportunity for local, national, and global enterprises to expand their digital footprint. With its direct connection to P1, P2 also immediately became Western Australia's most connected ecosystem of partners and ICT service providers including the cloud platform on-ramps we host for Microsoft and AWS. The dual data centre offering in Perth now also strengthens the local availability and business continuity offerings.

Planning for international expansion

In FY21 we continued to review emerging market opportunities across Asia Pacific and Japan. Travelling across Asia has proven to be challenging during COVID-19, however, our team members on the ground continue to review expansion opportunities in the world's fastest growing region. Like all activities the Company undertakes, we view these opportunities as transformative in nature and remind ourselves that people frequently overestimate what they can achieve in one year and underestimate what can be built in a decade. Despite COVID-19 related challenges, we continue to aspire to build a successful regional business over the next 10 years.

After a decade, the journey has only just begun

Over the next few years, we will witness some of the most significant technology advances in our history. With individuals, businesses and governments adopting technology built on technology, there will be an exponential rate of change. The need for organisations to adapt to change through technology has accelerated in the wake of a global pandemic. As the world transforms, one thing is evident; digital infrastructure is the key to addressing these challenges and will be a huge contributor to the solutions that take us on this journey. NEXTDC is the country's leading infrastructure platform for the digital economy – powering, securing and connecting the world's most valuable resource – data.

We are building tomorrows digital infrastructure today.

On behalf of NEXTDC, we thank you for your ongoing support as we continue our exciting growth path. We look forward to sharing more about the success, developments and future strategic direction of the Company at our upcoming Annual General Meeting (AGM).

Craig Scroggie

CEO

Douglas Flynn

CHAIRMAN

ABOUT NEXTDC

Vision and Purpose

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

NEXTDC value proposition and business strategy

NEXTDC is an ASX 100-listed technology company, enabling business transformation though customer-focussed, innovative data centre outsourcing solutions, connectivity services and infrastructure management software.

With a national footprint of nine data centres certified to the highest global standards, NEXTDC provides secure, reliable, high-performance data centre and interconnection solutions. NEXTDC has built and operates Australia's most cloud-connected data centre network, providing enterprise and government the advantage of proximity and optionality when connecting to public cloud platforms and digital services infrastructure.

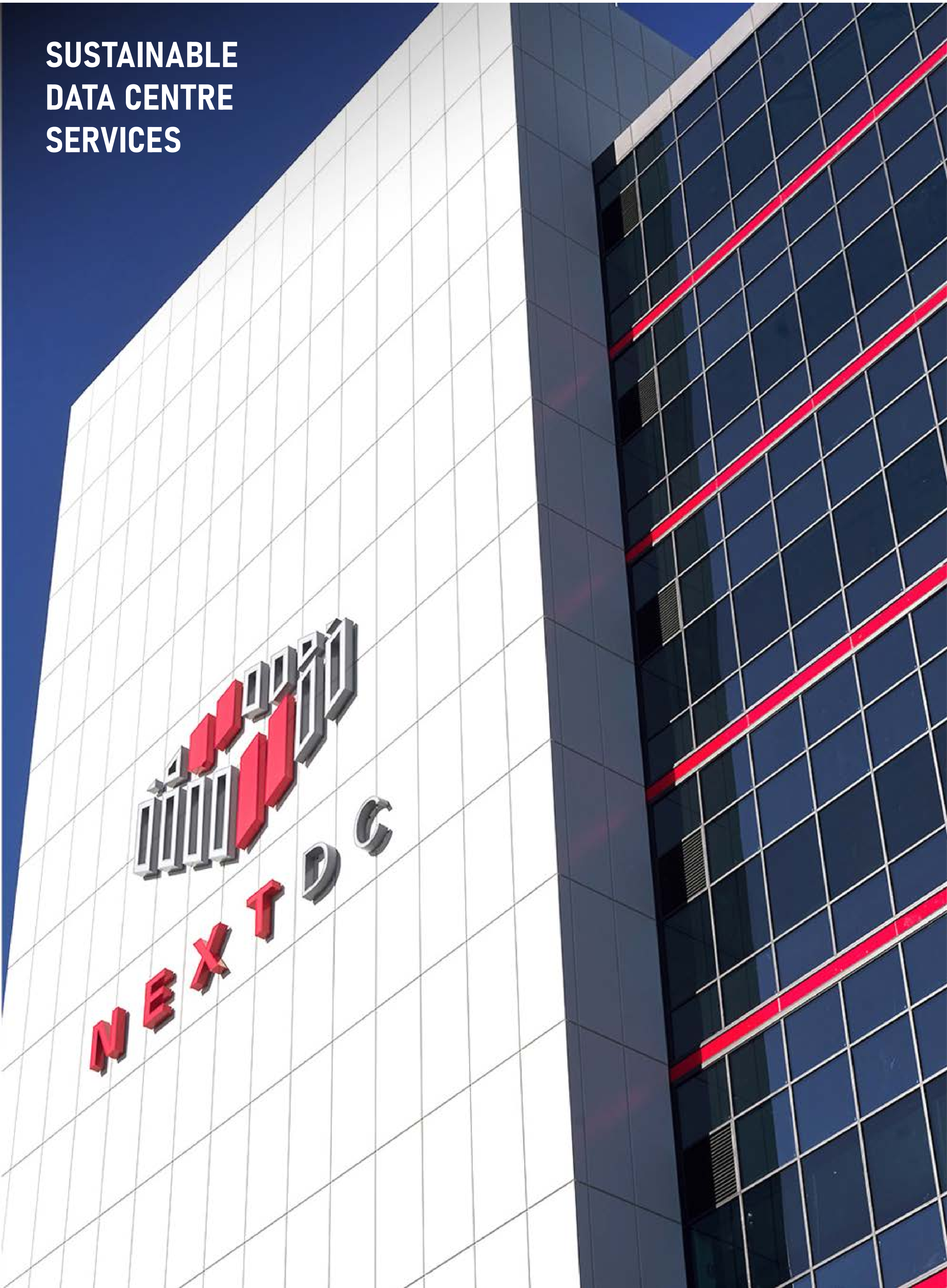
Recognised as providing the leading data centre solutions in the Australian market, NEXTDC is Australia's only independent data centre provider operating a nationwide network of Tier IV facilities in all major national growth markets.

As Asia's most advanced Data Centre as-a-Service (DCaaS) provider with a nationwide network of premium, independently certified facilities, our digital infrastructure platform addresses the rapidly growing demand for next generation digital infrastructure that facilitates limitless interconnectivity, high-density power capability, first-class physical security and exceptional energy efficiency.

Australia's most advanced digital infrastructure platform

NEXTDC's premium-grade facilities are the highest certified data centres in the country and recognised globally for their exceptional quality and operational efficiencies. Our enterprise-grade facilities are all independently assessed and certified, and NEXTDC is the only provider in the market that is equipped to deliver full-service digital infrastructure solutions that power, secure and connect local and international organisations, 100% of the time.

NEXTDC makes moving out of on-premise and into colocation a seamless transition, reducing the cost, risk and complexity of migrations. With a focus on safety, resilience, sustainability and carbon neutrality, we deliver the infrastructure platform for tomorrow's technology.



SUSTAINABLE DATA CENTRE SERVICES

As computing loads continue to multiply, minimising the environmental impact of the operational requirements will form a critical success factor for organisations. Australian businesses continue to take positive action on climate change; as such they are making the conscious decision to choose solutions that make a positive difference for business and the environment.

Our customers are looking for a responsible and ethical partner they can trust. We are the only data centre provider in Australia to receive Climate Active certification for our corporate operations. This is the Australian Federal Government endorsed carbon neutral certification.

Enabling operational gains, with industry leading energy efficiency

NEXTDC's purpose is to help customers harness the power of the digital age so they can drive business outcomes that are more sustainable, responsible and energy efficient. With a commitment toward driving global leadership in energy efficiency and sustainability, NEXTDC's data centres champion at a level of energy efficiency that has not previously been achieved in Australia.

Our focus on sustainability starts with designing, building and operating data centres that use the lowest amount of power, and perform at the highest levels of efficiency. This extends to investing in renewables such as wind and solar and is further supplemented by offsetting the carbon emissions that could not be avoided. We are deeply invested in machine learning while developing frameworks and processes that ensure continual energy efficiency improvement is embedded as operational philosophy.

NEXTDC is the only data centre provider to achieve NABERS 5-Star certification for our facilities (M1 and S1), an independently certified and assessed rating for energy efficiency. This allows us to deliver customers the lowest total cost of operations in Australia.

Carbon neutral services

Since FY18, NEXTDC's corporate operations have been carbon neutral, complying annually with Climate Active requirements. During FY21 NEXTDC became the first data centre services company to offer a Climate Active-certified carbon offset program. Through the certified NEXTneutral product, customers can offset 100% of the carbon footprint associated with their infrastructure hosted in our facilities. NEXTneutral is an opt-in service enabling customers to simply tick-a-box as you would when purchasing flights and pay about the cost of a cup of coffee per kW, per month to achieve carbon neutrality with NEXTDC.

NEXTneutral now allows us to welcome our ecosystem into the world of carbon neutral digital infrastructure. They can leverage the benefits of our program – without having to reinvent the wheel.

Renewable energy

NEXTDC is proud to own and operate our own solar array on the roof of our M1 facility and we are in the process of installing a new solar array at S1, with other facilities to follow.

Additionally, NEXTDC has been a Principal Partner to the Melbourne Renewable Energy Project (MREP) since its inception in 2014. Financial close on this project was achieved during FY18, and the 80MW Crowlands Wind Farm in Victoria went live in January 2019. This was another first for a data centre operator in the Asia Pacific region.

A net zero future

We take every measure to ensure we minimise carbon emissions wherever possible. Where we can't avoid it, we procure carbon credits through our strategic relationship with Qantas Future Planet (QFP).

In other sustainability projects, FY21 also saw the introduction of our free eWaste disposal service for customers and the introduction of a continuous improvement program to reduce water usage.

NEXTDC'S BUSINESS FEATURES

Clouds and connectivity

NEXTDC is where the cloud lives and digital organisations interconnect. Our Cloud Centre partner marketplace comprises the country's largest independent ecosystem of carriers, cloud service and ICT service providers, enabling our customers to source and connect with the critical services they need to build integrated Hybrid- and Multi-Cloud deployments and accelerate their digital transformations.

NEXTDC's carrier and vendor neutrality is the foundation of the Company's channel-preferred sales model – delivering flexibility and scale to partners and end-customers with best-of-breed data centre services. Since 2010, we have dedicated ourselves to helping our customers reach new markets, engage more customers and support their people faster and more efficiently. NEXTDC's expanding 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 safeguard the sovereignty of their data.

Safety First

At NEXTDC, safety is everybody's responsibility. NEXTDC recognises that the health and safety of our customers, suppliers and staff are of the highest priority. NEXTDC fosters a safety-first culture with hazard identification, incident prevention and the active management of all WHS issues being cultural cornerstones of the organisation and key to our success.

NEXTDC is 100% committed to our goal of achieving zero injuries across the business and we continue to commit the resources necessary in order to achieve this goal. NEXTDC continues to implement and refine strategies to improve our workplace safety management processes across both our operational and capital works portfolios.

100% uptime guarantee

Our facilities are the only data centres in the Southern Hemisphere to achieve Uptime Institute Gold certification for Operational Sustainability. These certifications verify that NEXTDC data centres are built and run to the highest of globally recognised best practises, demonstrating the underlying operational excellence of our national footprint. This provides our customers with the necessary assurance that NEXTDC is best positioned to ensure they give their business a 100% uptime advantage, whilst helping to reduce unnecessary risk associated with unplanned outages and business downtime.

Simplified national data centre service

A key competitive advantage for NEXTDC is the Company's nationwide data centre footprint located across five of Australia's largest capital cities: Sydney, Melbourne, Brisbane, Canberra, and Perth. This allows organisations to engage a single, nationwide data centre partner under one contract, offering consistent pricing, service level agreements and an industry leading 100% uptime guarantee to ensure one consistent and seamless customer experience, regardless of location. In addition to reducing the administrative burden on customers, NEXTDC works closely with each customer to enable them to expand and scale seamlessly to manage their data centre service effectively and efficiently.

World-class facilities and globally recognised expertise

NEXTDC's expert in-house Engineering team adds significant value through meticulous operational cadence and intimate customer engagement on all non-standard design requirements. The same award-winning engineers who design and build our facilities to the industry's highest standards, work collaboratively with NEXTDC customers to help them create customised solutions that meet their specific needs. NEXTDC offers market-leading levels of reliability and availability including a 100% uptime guarantee. This level of assurance and low risk strategy is critical to businesses adopting cloud services, which is teamed with globally recognised best practises around energy efficiency, helping to lower energy costs and our carbon footprint.

Security and compliance for risk management

The Australian Privacy Act and other government-initiated regulations and recommendations for the protection of sensitive information places comprehensive compliance obligations on government and enterprise. This often restricts data service users from utilising offshore data storage, leading 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-based company, NEXTDC can ensure our role in protecting the data sovereignty of information and infrastructure complies with all Federal Government Security standards.

NEXTDC's data centres comprise a multi-zone security strategy that is designed from the outside in. With five layers of security, this means passing through five individual security checkpoints from street level to rack level. Security is a major factor for organisations in the digital era. For this reason, we have built a federated and highly sophisticated security practice that is supported by the leading security technology. All of which is underpinned by world-class security processes and practices that ensure access to NEXTDC's data centres is controlled and monitored rigorously at all times.

NEXTDC also operates in compliance with globally recognised best practice standards in the increasingly important area of information security (ISO27001, SOC1 and SOC2), financial transactions (PCI DSS and SCEC), environmental sustainability (ISO14001), workplace health and safety (ISO45001), quality assurance (ISO9001). IT service management (ITIL), energy efficient built environments (NABERS) and operational sustainability (Uptime Institute Tier IV Gold).

CONTINUING TO SUPPORT CHANNEL PARTNERS

Our channel-preferred strategy has resulted in NEXTDC successfully engaging a diverse range of value-adding partners from all over Australia and the world. At the end of FY21, the Company had a total of more than 730 partner organisations including a broad range of local and international cloud platforms, as-a-Service providers, independent software vendors, telecommunications carriers and other connectivity partners. We continue to up-skill and resource partners to introduce their customers to our facilities, as well as create leads and opportunities generated by our marketing activities. As the business continues to scale, we sharpen the organisation's sales focus toward the greatest growth opportunities for the business.

NEXTDC's partner ecosystem includes, but is not limited to:

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

Hubs for connectivity

NEXTDC's Cloud Centre community is the largest independent network of IT service providers, carriers, and cloud providers in Australia. By colocating with a neutral provider like NEXTDC, customers have the flexibility to source and connect to a myriad of expertise and ICT services. Complementing the direct physical connections offered within NEXTDC facilities, our agile AXON virtual interconnectivity platform enables customers to activate scalable and private connections very quickly at incredibly high bandwidths to any number of clouds and ICT services on-demand, including the Federal Government ICON network. AXON also offers customers direct inter-capital connectivity services between all major capital cities in Australia.

Products and services

NEXTDC provides world-class data centre services and solutions that are scalable, flexible and accessible. NEXTDC's product strategy has been designed to ensure we deliver solutions that optimise power efficiency, offer maximum security and enable direct, high performance cloud connectivity for organisations of all sizes, while delivering unprecedented levels of reliability, cost efficiency and agility.

Data Centre-as-a-Service solutions

NEXTDC's hyperscale colocation services consist of secure, high-density data centre outsourcing solutions. We deliver the highest possible levels of resilience and reliability, and world-class technical services designed to support our customers on the ground. Customers host their own IT infrastructure within one or many NEXTDC data centres, leveraging our facilities and resources as an extension of their own business. Our DCaaS model has been designed to offer scalability and flexibility throughout the entire infrastructure lifecycle, with data centre solutions ranging from quarter racks to multiple contiguous racks to large custom caged areas for customers to design and custom fit their space to suit their own specific requirements.

Universal interconnection

Customers and partners residing anywhere within NEXTDC's national data centre ecosystem have access to Australia's largest network of physical and virtual connectivity options with the highest levels of flexibility, security, and resilience. Our highly connected data centres are home to 13 direct on-ramps to the world's largest

cloud platforms, as well as all the major carriers and the biggest cloud solutions providers in this country. Interconnection is the glue that binds the digital economy.

Furthermore, the new Indigo and Vocus ASC submarine cables connect the East Coast of Australia to Perth and then onto Singapore from our P2 data centre where the cables make landfall via our AXON interconnection platform. This ensures that the entire NEXTDC data centre footprint and ecosystem of clouds, carriers and service providers are directly connected to Asia and the world, further delivering on our vision to be the infrastructure platform that enables Australia's digital economy to thrive.

Centralised data centre asset management

Our ONEDC customer portal is a cloud-based DCIM-as-a-Service platform that provides our partners and customers with a comprehensive, centralised view of all their NEXTDC data centre footprint. Developed in-house, ONEDC aggregates all the tools our customers require to efficiently manage their infrastructure and the services needed at any NEXTDC facility. Service requests, such as booking a car park, a tour, securing meeting room access or technical support, as well as authorising access, unlocking and locking racks and comprehensive reporting capability – including real-time temperature and humidity monitoring – are all consolidated and viewed through a single pane of glass.

This innovative platform is continually being improved based on customer feedback around extended functionality they need to better manage their critical infrastructure. Not only does it enhance customer experience, but it also dramatically improves administrative efficiency through self-service features and the automation of manual processes.

During FY21, our in-house ONEDC development team continued to extend critical reporting capabilities including new Graphical Reporting and Scheduled Self Service Reporting features. ONEDC also now offers a tick-a-box option for customers to opt-in to NEXTDC's NEXTneutral carbon offset program as well placing a service order to activate NEXTDC's free e-Waste disposal service on decommissioned equipment. Ongoing continuous improvement work continues around integrating multiple back-end systems that power the platform.

Exemplary professional services

Our Remote Hands services consists of first-class technical assistance on-the-ground at any NEXTDC data centre. Remote Hands enables a flexible approach for customers in managing their critical infrastructure. Leveraging our technical capabilities allows them to get back to focussing on their core business. Our Remote Hands technicians are highly skilled and extensively certified individuals. They are responsible for the ongoing management of our world-class facilities and have been recognised globally by Uptime Institute and DataCenter Dynamics.

Remote Hands services support customers throughout their infrastructure lifecycle, starting with technical advisory, planning, project management and migration stages, right the way through to post migration day-to-day support such as managing deliveries and operational infrastructure support. Our data centre experts are part of the unique customer experience offered by NEXTDC and their abilities to support any challenges around taking full advantage of our premium data centre services adds significant value to the convenience of doing business with us. During the current pandemic, they have been a critical asset to our customers under mandated social distancing rules, providing the eyes and hands that are an important component of maintaining availability of critical digital infrastructure.

OUR PEOPLE AND CULTURE STRATEGIES

Living our corporate values

Our Company values define the behaviour and skills that we expect from all employees. Every one of our team members 'live' the values every single day, striving to ensure all of our actions align with the behaviours which our values embody. If in doubt, we refer to our values to make the right decision. Our values mean each and every one of our team know what is expected of them and knows what NEXTDC stands for and is striving to achieve. It means that we will recognise, reward, hire and promote based on their adherence to the six values, each of which is as important as the other.

Giving back to our local communities

Our 'Live to Give' Corporate Social Responsibility (CSR) program continues to be an important feature of working at NEXTDC particularly as the world grapples with a pandemic that is creating hardship on an unprecedented scale.

The key areas of focus through our program see us channel our major efforts toward four core charities and giving programs, which were selected collectively amongst the wider NEXTDC team. 'Live to Give' encourages and empowers our teams and the Company to be socially conscious.

It is our firm belief that companies can and should do more than just make money, they can give back to the community and use their success to improve our society. It's a great honour to be able to commit to supporting our charity partners and to make a meaningful and positive impact on humanity.

NEXTDC's 'Live to Give' program

- Corporate partnership with The Smith Family including cash donations, promoting staff volunteering and supporting mentoring programs
- Partnership with Pledge 1%, enabling staff to devote 1% of their time to give back
- Continued success of NEXTDC's workplace giving program with $1:$1 donation matching for Cancer Council, Beyond Blue, The Smith Family and UN Women; and
- Providing all staff with additional paid volunteer days, allowing teams and individuals to spend additional time with their preferred charity or in giving back to their local community.

Diversity and Inclusion

NEXTDC is committed to creating a diverse workplace. Approximately 33% of staff are female while our ethnic diversity is closely representative of the multicultural profile of Australia. Since August 2021, NEXTDC has been a signatory to 40:40 Vision. Diversity delivers fresh thinking to everything we do and, when added to the other workplace benefits we offer in areas such as maternity leave, paternity leave, primary carer leave, our 'Live to Give' program and volunteer days, helps to build our status as a preferred Australian employer. We pride ourselves on having built a culture where people join the Company and build long-term successful careers that challenge them and empower them to grow and be the best version of themselves every day.

CUSTOMER FIRST

WE ARE OBSESSED WITH DELIVERING THE WORLD'S BEST CUSTOMER EXPERIENCE.

ONE TEAM

WE ARE AN ELITE TEAM WORKING TOGETHER WITH SUPER STARS PLAYING IN EVERY POSITION.

BRIGHT IDEAS

THE BEST WAY TO PREDICT THE FUTURE IS TO CREATE IT.

PURSUIT OF EXCELLENCE

WE ARE RELENTLESS IN OUR PURSUIT OF EXCELLENCE, NOT PERFECTION.

STRAIGHT TALK

WE DON'T TALK BULL, WE HAVE CRUCIAL CONVERSATIONS, WE DISAGREE AND THEN WE COMMIT.

FRUGAL NOT CHEAP

WE SPEND OUR MONEY WHERE IT MATTERS THE MOST.

Impact of market growth demonstrated by NEXTDC

	30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
ECONOMIC INDICATORS					
Customers[1]	1,547	1,364	1,184	972	772
Cross Connects[2]	14,718	13,051	10,972	8,671	6,342
CAPACITY AND UTILISATION					
Operating facilities[3]	9	9	9	7	5
Installed capacity[4]	95.8MW	78.8MW	58.4MW	46.4MW	36.0MW
Contracted customer utilisation[5]	75.5MW	70.0MW	52.5MW	40.2MW	31.5MW
% of installed capacity	79%	89%	90%	87%	88%
Billing customer utilisation[6]	65.4MW	52.8MW	37.7MW	34.3MW	29.5MW
% of installed capacity	68%	67%	65%	74%	82%

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 were operational at 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 2021.

Directors

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

- Douglas Flynn
- Craig Scroggie
- Stuart Davis
- Dr Gregory J Clark AC
- Stephen Smith
- Jennifer Lambert
- Dr Eileen Doyle (appointed 26 August 2020)

Principal activities

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

COVID-19 response

Throughout FY21, NEXTDC has continued to be fully compliant with all health guidelines issued by relevant Australian health authorities both at state and federal level. There have been no confirmed cases of COVID-19 amongst our staff or visitors in FY21. A policy of social distancing has been a key part of our Pandemic Plan and the activation of our overarching Business Continuity Plan. Our COVID-19 Management Committee has continued to meet periodically, to respond to the ongoing changes and requirements.

Besides implementing appropriate processes throughout all facilities, including increased sanitisation, our interactions with customers, vendors, and suppliers have been standardised and segmented to ensure a consistent and appropriate approach on health practises. All entry into NEXTDC Facilities requires sign-in via QR code and body-temperature checks before admission beyond the front office.

As uncertainty surrounding COVID-19 endures, NEXTDC's comprehensive COVID-19 plan not only addresses our operations in the 'new normal' world, but also continues at settings that are responsive to COVID-19 as an ongoing health threat. Importantly, this also includes our continuous investment in the mental health of our team. NEXTDC's 'The Way We Work' program was rolled out in FY21, to provide further flexibility in when and where our team works.

Operating and financial review

During the year, the Company has:

- Completed the remaining fitout of S2 to support continued customer growth, increasing built capacity in NSW from 38MW at the end of FY20 to 46MW at the end of FY21
- Completed the construction of its second Perth site, P2 in Q1 of FY21
- Continued expansion works at its second Melbourne site, M2, with 9MW of new capacity being added
- Progressed the construction of the new planned Uptime Institute Tier IV data centre at S3 Sydney, which is due to open in 2H of FY22
- Acquired land adjoining the site for M3 Melbourne and expanded its planned capacity to 150MW, with full construction due to commence in 1H of FY22
- Successfully secured a new $1.85 billion senior debt facility
- Contracted 5.5MW of new capacity

Key financial highlights include:

- Revenue of $246.1 million vs upgraded guidance range of $246 - 251 million (FY20: $200.8 million)
- Underlying EBITDA[1,2] of $134.5 million vs upgraded guidance range of $130 - 133 million (FY20: $104.6 million)
- Capital expenditure of $301 million vs guidance range of $380 - 400 million (FY20: $418 million)
- Statutory net profit/(loss) after tax of $(20.7) million (FY20: $(45.0)[3] million)
- Operating cash flow of $133.2 million (FY20: $53.7[3] million)
- Cash and cash equivalents of $652 million at 30 June 2021

Financial performance

NEXTDC achieved a number of significant milestones and enjoyed a period of strong growth in the 12 months to 30 June 2021.

The Group continued to experience significant growth in number of customers, customer orders and data centre revenue. Data centre services revenue for the year increased from $200.8 million to $246.1 million. The increase was largely driven by increased utilisation of data centre services across the business. As at 30 June 2021, NEXTDC was billing for 65.4MW (2020: 52.8MW) of capacity.

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[1] EBITDA is a non-statutory financial metric representing earnings before interest, tax, depreciation and amortisation. Non-statutory financial metrics have been extracted from the audited accounts

[2] FY21 underlying EBITDA excludes $0.8 million of costs related to review works into potential data centre investments in Asia as well as the impact of IFRIC's guidance in relation to customisation and configuration spend on cloud software platforms of $0.7 million

[3] Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26 (b) of the Financial Report

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

	Segment revenues		Segment EBITDA	
	30 June 2021 $'000	30 June 2020 $'000	30 June 2021 $'000	30 June 2020 $'000
Vic	84,437	72,497	64,637	53,505
NSW/ACT	115,692	86,384	81,595	59,617
Qld	23,553	21,763	17,487	15,106
WA	19,944	17,870	13,711	12,725
Other	2,439	2,264	484	(247)
Total segment revenue/EBITDA	246,065	200,778	177,914	140,706

Net profit/(loss) after tax was $(20.7) million (2020: $(45.0)[3] million).

Non-statutory underlying earnings before interest, tax, depreciation and amortisation (EBITDA) improved from $104.6 million in FY20 to $134.5 million in FY21. Reconciliation of statutory profit to EBITDA and underlying EBITDA is as follows:

	30 June 2021	30 June 2020[3]	Change
	$'000	$'000	%
Net profit/(loss) after tax	(20,655)	(45,042)	
Add: finance costs	63,577	57,705	
Less: interest income	(3,932)	(4,447)	
Add/(less): income tax expense/(benefit)	-	26,434	
Add: depreciation and amortisation	94,055	68,715	
EBITDA	**133,045**	**103,365**	**29%**
Less: gain on re-assessment of lease under AASB 16	-	(199)	
Add: expensed SaaS costs previously capitalised[3]	652	231	
Add: Singapore and Japan costs	841	1,192	
Underlying EBITDA	**134,538**	**104,589**	**29%**

Funding and financial position

In FY21, NEXTDC entered into a new $1.85 billion senior debt facility, split across three tranches as follows:

- $800 million – Term Loan Facility
- $400 million – Capital Expenditure Facility
- $650 million – Revolving Credit Facility (multi-currency)

The $800 million term loan facility was drawn down in December 2020 in order to redeem Notes III, IV and IV-2.

Cash and cash equivalents at 30 June 2021 totalled $652 million (2020: $893 million), which combined with the undrawn senior syndicated debt facility of $1,050 million, gave the Group access to $1,702 million in available liquidity at 30 June 2021.

NEXTDC's balance sheet position is underpinned by more than $2.6 billion in total assets.

Sales performance

We have continued to focus our sales strategy on partnering with providers of infrastructure, platforms and packaged services. The flexibility we offer by being carrier and vendor neutral allows customers a choice of carriers and systems integrators, leading to an increase in the number of unique customers to 1,547 at 30 June 2021 (up from 1,364 at 30 June 2020).

During the year NEXTDC increased its contracted utilisation by 8% from 70.0MW at the end of FY20 to 75.5MW at the end of FY21.

Our contracted utilisation in Victoria increased by 0.7MW to 28.0MW during the period from 1 July 2020 to 30 June 2021, with contracted utilisation accounting for 82% of built capacity (34.0MW).

NSW/ACT's contracted utilisation increased by 4.3MW during FY21 to 41.1MW as at 30 June 2021, with contracted utilisation accounting for 86% of built capacity (48MW).

In Queensland contracted utilisation grew 0.2MW during FY21 to 3.1MW as at 30 June 2021, with contracted utilisation accounting for 50% of built capacity (6.25MW).

WA's contracted utilisation increased by 0.2MW to 3.2MW during the period from 1 July 2020 to 30 June 2021, with contracted utilisation accounting for 43% of built capacity (7.5MW).

We are earning revenue from numerous products including white space, rack ready services, project fees and add-on services. During FY21 interconnection generated 7.7% of total recurring revenue.

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

Continuous innovation

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

All data centres have achieved and continue to be certified to ISO 27001 Information Security Management System, ISO 9001 Quality Management System, ISO 14001 Environmental Management System and most recently the ISO 45001 for WHS Management System. These certifications confirm that NEXTDC has an integrated management system that provides a systematic approach to risk management, protection of company information and continuous improvement.

The Group has continued to develop its internal systems and processes in FY21 with the ongoing implementation of online platforms to automate and integrate the management of the customer lifecycle as part of the services we provide.

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

NEXTDC has a continuous process of testing and tuning its data centres to optimise energy efficiency and stability to ensure Power Usage Effectiveness (PUE) targets are achieved. The average PUE throughout the year across all NEXTDC data centres is now 1.40, meeting our target of 1.40 and well below the industry average of approximately 1.70.

The Group continues its strong focus on energy efficiency and sustainability. Our data centre facilities have been engineered to deliver extremely high energy efficiency, lowering the carbon footprint for our customers. Our M1 Melbourne and S1 Sydney data centres were the first data centres in Australia to achieve a National Australian Built Environment Rating System (NABERS) 5-Star rating for energy efficiency and we have maintained the rating for both data centres in FY21.

NEXTDC owns and operates its own solar array on the roof of its M1 data centre and has also been a Principal Partner to the Melbourne Renewable Energy Project (MREP) since its inception in 2014. We are currently installing a new solar array on the S1 facility, with other facilities to follow.

Business strategies and prospects for future financial years

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

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

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

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

Business risks

NEXTDC acknowledges that risk is inherent in all aspects of its business operations and being able to effectively recognise and manage these and the corresponding opportunities is critical for the success and growth of the Company. NEXTDC's risk management framework is an integral component of its corporate governance and central to achieving its strategic and operational objectives.

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

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

Business Management and Governance

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

Environment, Work Health, and Safety

- *Work, Health and Safety:* NEXTDC recognises health and safety as its highest priority. Our values, the priorities set by our executives and our policies prioritise this issue and reflect that, at NEXTDC, safety is a key element of every engagement with suppliers, customers and in the development and operation of our data centres. Incident prevention is of utmost importance and vital to safety and ultimately, the success of the organisation. All NEXTDC data centres are certified to ISO 45001, WHS Management System certification.

  NEXTDC's commitment to maintaining a safe and healthy work environment has faced some unique challenges in FY21, with a focus on applying our safety-first approach to the challenges of the COVID-19 pandemic. We continue to commit the resources necessary to maintain a safe working environment and ensure the ongoing operation of the business and health of our team. In addition to our COVID-19 response, we have implemented strategies to enhance our workplace safety and mental health awareness. Safety is everyone's responsibility in a safety-first culture. Active management of WHS issues both in the operation of data centres and in their development are mandated and central to creating a culture where it is safe to speak up and report any hazards or incidents. NEXTDC has also sought to implement a process of continual review and improvement through its safety assurance programs with the team's performance and safety initiatives reported to the Board.

  This includes the added focus on mental health. Our strategy for providing a safe workplace also focuses on protecting people from harm by identifying and managing workplace risks to mental health; building capacity to respond and support people experiencing mental ill-health and promoting positive mental health and wellbeing. In FY21, we established the Mental Health First Aid Policy with 20 employees across our sites volunteering to become accredited Mental Health First Aid Officers (MHFAO) by completing the Mental Health First Aid Australia training.

  To further strengthen our safety leadership across the industries we participate in, NEXTDC has also implemented a Construction Safety Management System, which benchmarks our safety performance and activities during the construction of our new data facilities. This system has been rolled out across NEXTDC and is designed to monitor and verify its implementation and results. We continue to work closely and share safety learnings with our stakeholders, including customers and suppliers and to align ourselves with industry best practice. Our ultimate goal is zero injuries.

- *Energy Usage and Emissions:* NEXTDC is dedicated to devising and monitoring the best methods of managing data centres, to ensure energy efficiency and minimise their impact on the environment and our natural resources. Due to the nature of our business, and as our customer loads increase year on year, so will our own energy usage and emission. NEXTDC has invested significantly in improving energy efficiencies by focussing on its environmental objectives, operational efficiencies and best in class data centre designs. NEXTDC is committed to the process of achieving NABERS certified rating for our data centres, with each data centre having a target Power Usage Effectiveness (PUE) rating to be as energy efficient as possible.
- *Climate Change*: NEXTDC is committed to contributing to the global effort on climate change and supports the shift towards a low carbon economy in line with the Paris Agreement. This is evident in our initiatives on carbon neutrality and embedding climate change risk management across our business processes. We have aligned our response to climate change with the recommendations of the Taskforce on Climate- related Financial Disclosures (TCFD) which is further elaborated below. Our Climate Change Risks and Opportunities are also discussed in detail within our FY21 Environmental, Social and Governance Report, which can be found under the Corporate Governance section of our website (nextdc.com).

Maintain 100% Uptime Guarantee

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

Building New Sites/Data Centres

- *Development:* NEXTDC is involved in the development of data centres, including new sites for S3 and M3, as well as the ongoing expansion at M2 and 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) unforeseen project delays beyond the control of NEXTDC including for example the impact of the COVID-19 pandemic; and (iv) non-performance/breach of contract by a contractor or sub-contractor. Increases in supply or falls in demand could influence the acquisition of sites, the timing and value of sales and carrying value of projects.

  To fundamentally manage these risks, NEXTDC has implemented governance and management processes designed to drive consistency in the planning, design, engineering, procurement and project and commercial management for each site.
- *Customer Demand:* Development of new and existing data centres is capital intensive and sometimes undertaken without pre-sales commitment from customers. There is a risk that there will not be enough customer demand to achieve a sufficient return on investment. NEXTDC's business model to become the largest independent, carrier neutral channel ecosystem in the Asia-Pacific region aims to manage this risk by developing sites mindful of market demand and customer needs with the aim of offering a service and connectivity compelling to our customers. NEXTDC's next-generation of data centres will be particularly focussed on more scalable fit-outs. This will allow us to stay in step with demand whilst lowering our initial capital outlay. We are also aiming to increase sales by providing complementary products and services.

Ensuring Financial Health of the Company

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

Security of Data and Information

- *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 future opportunities and our ability to retain existing customers. 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 customers' equipment. Customers are responsible for managing their own IT equipment and data security. All PII is securely managed in accordance with our Privacy Policy, a document based on the Australian Privacy Act 1998, the GDPR where it is applicable and information security practices based on ISO 27001 controls.
- *Cyber Risk:* According to various recent global and national cyber risk reports, cyber incidents and their financial impacts are increasing significantly year on year and cyber criminals are targeting small and large businesses alike. To mitigate these risks, NEXTDC has implemented an information security management system based on ISO 27001 as well as undertaken ongoing penetration and vulnerability testing.

Revenue Generation and Customer Growth

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

The FY21 Environmental, Social and Governance Report (located at www.nextdc.com) provides further details on how NEXTDC addresses matters of environmental and social sustainability.

Significant changes in the state of affairs

Other than what has already been mentioned in this report, there have been no further significant changes in the state of affairs of the Group during FY21.

Matters subsequent to the end of the financial period

In July 2021, NEXTDC announced that it has secured a new data centre site in Western Sydney for S4 Sydney. The purchase price of the site is approximately $124 million and will progressively settle as the land parcels are made ready for development between 2H24 and 1H25.

In August 2021, NEXTDC provided an update in relation to its M3 Melbourne site, announcing that planning consent for the site has been obtained and construction has commenced, with the overall size of the M3 Melbourne site also increasing to approximately 100,000 sqm following the acquisition of additional land adjoining the site in FY21. Subject to planning consent for the additional land, the site will be developed into a hyperscale campus which is expected to accommodate a data centre capable of approximately 150MW of capacity, in addition to housing customers' mission critical operation centres, administrative offices and collaboration spaces.

No other matters or circumstances have arisen since 30 June 2021 that have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

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

Dividends

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

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

Dividends were neither paid nor declared during the year.

Environmental regulation

NEXTDC is constantly monitoring and revising the best way to manage our data centres to minimise the impact to the environment. 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"). Additionally, corporate operations are certified 100% carbon neutral under the Australian Federal Government's Climate Active program (previously known as the National Carbon Offset Standard, or NCOS). We have continued to achieve carbon neutrality by offsetting emissions associated with our corporate operations. In March 2021, we launched NEXTneutral, a certified carbon neutral colocation solution, extending our Climate Active-accredited partnerships to our ecosystem, enabling our customers and partners to leverage the carbon offset capability we have built through our own corporate program.

All NEXTDC data centres are certified to ISO 14001, Environmental Management System certification. NEXTDC's S1 Sydney and M1 Melbourne data centres have maintained their NABERS 5-Star ratings for energy efficiency throughout FY21.

NEXTDC's Climate Change Position

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

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

NEXTDC's vision is to help enterprises harness the digital age with a view to improving our society through the advancement of technology. Climate change threatens these advancements, noting also that digitalisation acts as an enabler of decarbonisation and plays an important role in climate action. NEXTDC's services centre around Power, Security and Connectivity and climate related considerations are embedded in our core strategy of operational efficiency and 100% uptime. We optimise greenhouse gas (GHG) emissions efficiency across our data centres' lifecycles. Our operational resilience and 100% Uptime Guarantee also assists our customers in dealing with climate change driven extreme weather events and their chronic impacts.

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

We have been working to align our response to climate change, conducting climate-related risk assessment and developing our reporting in line with the recommendations of the TCFD. Our work has been focussed on building on our understanding of climate change driven risks and opportunities to our strategic/financial plans including our operating model and the underlying management processes.

Our TCFD Implementation Program Working Group has been focused on assessing the effectiveness of our governance and risk management frameworks to address climate change issues and defining our businesses' climate-related risks and opportunities.

NEXTDC FY21 Environmental Social and Governance Report (available in the Corporate Governance section of our website) summarise our current approach and future plans to help manage climate change and its related impacts across the business, disclosed in alignment with the recommendations of the TCFD.

Insurance of officers

During the period, NEXTDC Limited paid a premium of $4,300,695 (FY20: $1,581,000) to insure the Directors and Officers of the Group.

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

Proceedings on behalf of the Company

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

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

Rounding of amounts

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

Information on Directors

DOUGLAS FLYNN

Chairman
Non-Executive Director (since September 2013)

EXPERIENCE AND EXPERTISE

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

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

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

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

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

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

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

OTHER CURRENT DIRECTORSHIPS

- IMEXHS Limited (March 2020 – present)

FORMER DIRECTORSHIPS

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

SPECIAL RESPONSIBILITIES

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

INTERESTS IN SHARES AND OPTIONS

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

CRAIG SCROGGIE

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

EXPERIENCE AND EXPERTISE

Craig Scroggie is the Chief Executive Officer and Managing Director of NEXTDC, responsible for driving the business to become one of the world's fastest growing technology companies. Craig is well recognised for his superior leadership experience within the IT and telecommunications industries across the globe.

Under Craig's leadership, NEXTDC has grown from a start-up operating only a single data centre (B1 Brisbane) to now being recognised as Australia's leading Data Centre-as-a-Service company, boasting a national footprint of nine operational data centres across Australia, with an additional two facilities currently in design. The Company's annual data centre services revenues have grown from $1.2 million (FY12) to more than $246 million (FY21). In that time, the Company has earned numerous awards in the technology, business and engineering industries.

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 Symantec, Veritas Software, Computer Associates, EMC Corporation and Fujitsu. Craig is a Graduate and Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management. 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 holds the position of Adjunct Professor in the College of Arts, Social Sciences and Commerce at La Trobe University and currently serves as the Chairman of the La Trobe University Business School.

SPECIAL RESPONSIBILITIES

- Member of the Investment Committee

INTERESTS IN SHARES AND OPTIONS

Craig holds 1,989,191 fully paid ordinary shares and 956,896 performance rights.

STUART DAVIS

Non-Executive Director (since September 2013)

EXPERIENCE AND EXPERTISE

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

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

OTHER CURRENT DIRECTORSHIPS

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

FORMER DIRECTORSHIPS

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

SPECIAL RESPONSIBILITIES

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

INTERESTS IN SHARES AND OPTIONS

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

DR GREGORY J CLARK AC

Non-Executive Director (since April 2014)

EXPERIENCE AND EXPERTISE

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

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

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

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

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

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

OTHER CURRENT DIRECTORSHIPS

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

FORMER DIRECTORSHIPS

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

SPECIAL RESPONSIBILITIES

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

INTERESTS IN SHARES AND OPTIONS

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

STEPHEN SMITH

Non-Executive Director (since 1 July 2019)

EXPERIENCE AND EXPERTISE

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

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

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

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

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

OTHER CURRENT DIRECTORSHIPS

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

FORMER DIRECTORSHIPS

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

SPECIAL RESPONSIBILITIES

- Chairman of the Investment Committee

INTERESTS IN SHARES AND OPTIONS

Nil

JENNIFER LAMBERT

Non-Executive Director (since 1 October 2019)

EXPERIENCE AND EXPERTISE

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

Ms Lambert is currently a Non-Executive Director of BlueScope Steel Limited where she is Chair of the Audit Committee and of REA Group Limited where she is Chair of the Audit, Risk and Compliance Committee. Ms Lambert is also on the Council of the Sydney Church of England Grammar School and is Chairman of the Mosman Church of England Preparatory School.

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

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

OTHER CURRENT DIRECTORSHIPS

- BlueScope Steel Limited (September 2017 – present)
- REA Group Limited (December 2020 – present)

FORMER DIRECTORSHIPS

- Mission Australia (retired November 2020)

SPECIAL RESPONSIBILITIES

- Chair of the Audit and Risk Management Committee

INTERESTS IN SHARES AND OPTIONS

Jennifer holds 18,000 fully paid ordinary shares in NEXTDC Limited.

DR EILEEN DOYLE

Non-Executive Director (since August 2020)

EXPERIENCE AND EXPERTISE

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

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

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

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

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

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

OTHER CURRENT DIRECTORSHIPS

- Oil Search Limited (2016 – present)
- DBI Limited (2020 – present)
- Airservices Australia (April 2021 – present)

FORMER DIRECTORSHIPS

- GPT Group (2010 – 2019)
- Boral Limited (2010 – October 2020)

SPECIAL RESPONSIBILITIES

- Member of the Audit and Risk Management Committee

INTERESTS IN SHARES AND OPTIONS

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

MICHAEL HELMER

Company Secretary (since February 2015)

Michael is also the Chief Legal Officer of NEXTDC Limited.

Michael has over 25 years' experience in the legal sector and, until joining the Company, served 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, IP, 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 Association of Corporate Counsel (Australia) having served as their Victorian President as well as a member of its National Board (2012-2014). Michael is a member of 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 year, and the number of meetings attended by each director are as follows:

			Meetings of Committees					
	Full meetings of Directors		Audit and Risk Management Committee		Remuneration and Nomination Committee		Investment Committee	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Douglas Flynn	10	10	1	1	10	10	3	3
Craig Scroggie	10	10	N/A	N/A	N/A	N/A	3	3
Stuart Davis	10	10	4	4	10	10	N/A	N/A
Dr Gregory J Clark AC	9	10	N/A	N/A	9	9	3	3
Stephen Smith	9	10	N/A	N/A	N/A	N/A	3	3
Jennifer Lambert	10	10	4	4	N/A	N/A	N/A	N/A
Dr Eileen Doyle	10	10	3	3	N/A	N/A	N/A	N/A

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the period
N/A = Not applicable. Not a member of the relevant Committee

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 2021 (FY21). 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 AND NOMINATION COMMITTEE

NEXTDC's Remuneration Report details how its executive remuneration outcomes are linked to both its corporate and individuals' performance for the 2021 financial year. The report details our remuneration policy for FY21 and its alignment between executive remuneration and shareholder outcomes.

In FY21, NEXTDC achieved a number of key performance milestones:

Data centre services revenue

$246.1M

▲ $45.3M (23%)

Underlying EBITDA[1]

$134.5M

▲ $29.9M (29%)

Operating cashflow

$133.2M

▲ $79.5M (148%)

Contracted utilisation

75.5MW

▲ 5.5MW (8%)

Debt Facility secured

$1.85B

Capital expenditure

$301M

NEXTDC's Remuneration and Nomination Committee keeps the Company's remuneration policies under continuous review to ensure they advance the Board's strategic goals, result in a high retention rate for key talent as well as reflect shareholder interests and expectations in the context of a high-performance growth business. The Committee is of the view that its policies and remuneration structures for FY21 have been well tuned to these aims and that they foster performance and a corporate culture aligned with the Company's core values.

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

This year the Committee has further refined the Senior Executive remuneration program to keep in step with shareholder expectations and to continue to drive performance, retention and focus with the aim of continuing NEXTDC's success. To this end the Company has increased the proportion of variable 'at risk', remuneration while largely holding fixed remuneration steady.

The Committee has considered a variety of factors affecting the remuneration program and has canvassed the views and feedback of shareholders when doing so. Changes have been made to the FY21 STI program which are detailed in this report and provide significant granularity on key performance measures used in assessing remuneration decisions. Whilst the Committee is mindful of not disclosing the Company's confidential or sensitive performance data, it also recognises the benefits of greater disclosure and transparency in the way measures are applied.

The Committee is of the view that the overall remuneration structure appropriately balances factors such as retention and disclosure with meaningful success measures that are strongly aligned with shareholder value. Factors such as financial and operational performance, the Company's achievement of key development and project milestones as well as measures on operational and WHS excellence have all been integrated into the overall remuneration structure.

The Company intends to seek approval at the 2021 Annual General Meeting for a change to the Chief Executives' Long-Term Incentive which will transition his and nominated senior executives long term incentives to be measured, half over three years and half over four years. The total amount of the Long-Term Incentive at risk will be increased, reflecting practice in similar sized ASX listed companies and seeks to address the increasing competition for talent from unlisted competitors. This plan would commence from the beginning of the 2022 financial year.

NEXTDC and the broader community have been impacted by the COVID-19 pandemic throughout FY21. With the long-term health, social and economic consequences continuing to evolve, NEXTDC's response has likewise seen an evolution in managing its processes and protocols, with the safety of its customers, suppliers and staff paramount. NEXTDC has continued its work from home arrangements where possible, while ensuring its employees remain professionally and socially connected and that our customers are supported in these new and challenging conditions. NEXTDC's sound business response to COVID-19 is reflected in its strategic objectives and successes throughout the year, which continue to see value accretion for shareholders.

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

Stuart Davis
Chairman – Remuneration and Nomination Committee

[1]FY21 underlying EBITDA excludes $0.8 million of costs related to review works into potential data centre investments in Asia as well as the impact of IFRIC's guidance in relation to customisation and configuration spend on cloud software platforms of $0.7 million

2. THE PERSONS COVERED BY THIS REPORT

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

TABLE 1: KEY MANAGEMENT PERSONNEL

NON-EXECUTIVE DIRECTORS

Name	Position
Douglas Flynn	Non-Executive Chairman since 30 April 2014 Member of the Remuneration and Nomination Committee Member of the Investment Committee
Stuart Davis	Non-Executive Director Chair of the Remuneration and Nomination Committee Member of the Audit and Risk Management Committee
Dr Gregory J Clark AC	Non-Executive Director Member of the Remuneration and Nomination Committee Member of the Investment Committee
Stephen Smith	Non-Executive Director Chair of the Investment Committee
Jennifer Lambert	Non-Executive Director Chair of the Audit and Risk Management Committee
Dr Eileen Doyle (appointed 26 August 2020)	Non-Executive Director Member of the Audit and Risk Management Committee

SENIOR EXECUTIVES

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

3. OVERVIEW OF REMUNERATION GOVERNANCE FRAMEWORK

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

Our remuneration framework, applicable to the 2021 financial year is outlined and summarised below.

3.1 Senior Executive Remuneration (SER) Policy

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

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

FIGURE 1: REMUNERATION GOVERNANCE FRAMEWORK

BOARD

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

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is delegated responsibility by the Board to make recommendations on:

- The remuneration policies and framework
- Non-Executive Director remuneration
- Remuneration for Senior Executives and other key management personnel
- The extent of the Senior Executives' achievements against performance targets and the remuneration outcomes
- Executive incentive arrangements

MANAGEMENT

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

CONSULTATION WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

REMUNERATION CONSULTANTS AND OTHER EXTERNAL ADVISORS

The Remuneration and Nomination Committee may appoint and engage independent advisors directly in relation to Executive remuneration matters. These advisors:

- Review and provide recommendations on the appropriateness of Senior Executive remuneration
- Provide independent information to assist with remuneration decisions

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

Benchmarking data was provided by Morrow Sodali in FY20 and FY21 to review Senior Executive and Non-Executive remuneration. No remuneration recommendation as defined in Section 9B of the Corporations Act 2001 was made. The Board is satisfied that any advice provided by Morrow Sodali was made free from undue influence from any of the KMP.

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

FIGURE 2: TOTAL FY21 REMUNERATION (IF MAXIMUM INCENTIVE PAYMENTS ARE RECEIVED)

Base Salary Package (33.3%)

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

STI (33.3% at risk)

- STI that provides a reward for performance against the annual objectives
- EBITDA gateway
- Maximum = 100% of Base Salary Package

- 50% is paid as cash
- 50% is deferred for one year (cash or shares)

LTI (33.3% at risk)

- LTI that provides a securities-based reward for performance against indicators of long term shareholder value creation
- Rights vest at TSR Index (must be positive)
- Maximum = 100% of Base Salary Package

Year 1 | Year 2 | Year 3

3.2 Senior Executive Remuneration Benchmarks

When setting executive remuneration, the Committee references domestic and international industry benchmarks relevant to its market sector, growth and value as well as unlisted competitors and the individual's role and performance. Specific care is taken to ensure factors specific to the niche data centre industry are taken into account and to seek to ensure NEXTDC is able to attract, motivate and retain the right talent in the leadership team and more broadly. NEXTDC recognises that competitive pressures for top talent arises both from international and local competitors and major customers in Australia, Asia Pacific and at international level. Accordingly, NEXTDC considers the following as fundamental factors in setting executive remuneration packages:

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

The Committee sets the Base Salary Package and TRP levels taking into account the above factors, as well as the surrounding market conditions and sentiment, the trajectory of the Company's growth, strategic objectives, competency and the skillsets of individuals, scarcity of talent, changes in role complexities and the geographical spread of the Company.

Our view is that first-class industry relationships both in Australia and beyond are of critical importance in achieving exceptional financial performance and long-term shareholder value. Accordingly, the Committee will evaluate the TRP against both domestic and international remuneration benchmarks when making its overall assessment.

3.3 Senior Executive Remuneration Mix

The Senior Executive remuneration mix refers to the proportion of remuneration that executives can receive as fixed versus any variable "at risk" remuneration. Assuming performance is at a level at which incentives pay out in full, 67% of the TRP remuneration received is performance related.

The graph below sets out the remuneration mix if maximum incentive payments are received for the CEO and other Senior Executive KMP for FY21.

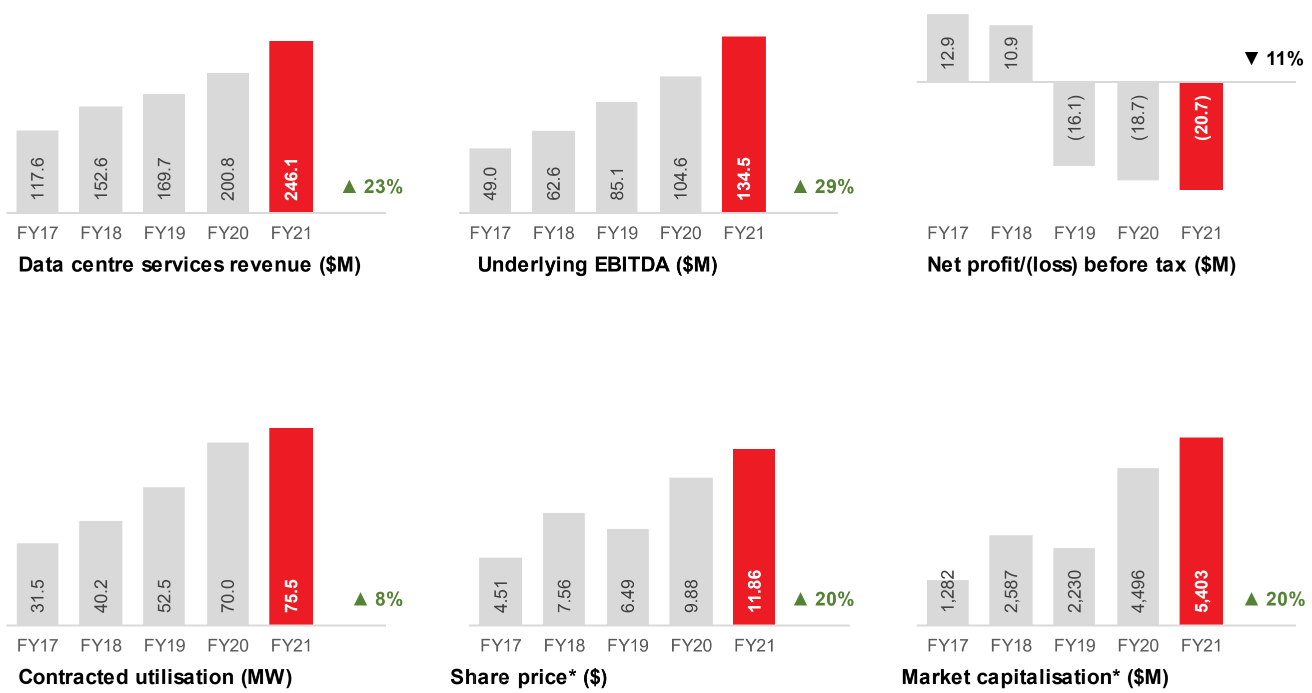
FIGURE 3: FY21 POTENTIAL REMUNERATION MIX

3.4 Senior Executive Remuneration and Performance

The Board has determined that significant remuneration opportunities should continue to be contingent on realising the Company's ongoing financial and operational targets. As part of the re-alignment of incentives for executives in FY21, greater granularity has been provided on how the incentive outcomes are determined. This increased transparency together with the setting of performance criteria relating to the achievement of key strategic and project milestones as well as measures of operational excellence, are the focus of the FY21 STI program to ensure NEXTDC maintains its competitive advantage. Being a first-class data centre business focussed on the success of its customers, being amongst the first to secure valuable sites, building data centre infrastructure and offering a compelling regional footprint for national and international customers are all components of the Company's performance and remain the key drivers for shareholder value creation. Accordingly, these elements also continue as the cornerstones of our incentive program, as further detailed below.

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

TABLE 2: HISTORICAL COMPANY PERFORMANCE



*Closing share price as at 30 June

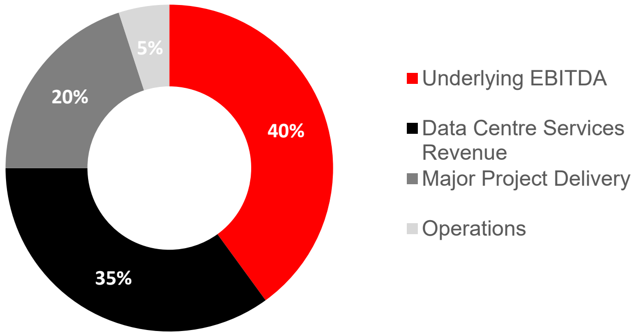
FY21 underlying EBITDA excludes $0.8 million of costs related to review works into potential data centre investments in Asia as well as the impact of IFRIC's guidance in relation to customisation and configuration spend on cloud software platforms of $0.7 million. EBITDA is a non-statutory metric representing earnings before interest, tax, depreciation and amortisation.

3.5 Variable remuneration – Short Term Incentive (STI) Plan

NEXTDC's capital-intensive business requires infrastructure to be built prior to it generating income derived from customer utilisation. With NEXTDC operating in a high-growth industry, the Company needs to continually expand its infrastructure to meet customer demand. It is on this basis that the Board and Committee places emphasis on committed sales, facilities expansion, margin and EBITDA growth when incentivising Senior Executives.

In FY21 the Committee has made some changes to the program to ensure it remains competitive and to provide greater visibility and granularity to shareholders without compromising the confidential nature of some of the operational data used in compiling these performance measures. The composition of remuneration components comprising the FY21 STI program are as follows:

FIGURE 4: FY21 POTENTIAL STI MIX



FINANCIAL YEAR 2021 STI PLAN

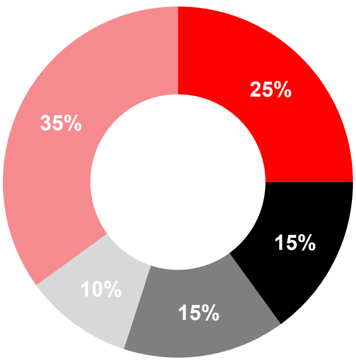
The purpose of the STI Plan is to provide an incentive for Senior Executives to achieve against the Company's strategic objectives by delivering or exceeding on annual business plan requirements to ensure sustainable superior returns for shareholders. Key terms of the FY21 STI Plan are detailed below.

<table>
<tr><th>Feature</th><th colspan="3">Description</th></tr>
<tr><td>Opportunity</td><td colspan="3">Subject to the achievement of the Gateway, participants may achieve up to a stretch (maximum) award of 100% of their Base Salary Package.</td></tr>
<tr><td>Gateway</td><td colspan="3">In order to qualify for any award under the FY21 STI incentive program, underlying EBITDA achieved in FY21 must be at least 95% of the midpoint value of the initial guidance range given for underlying EBITDA performance in that year. In FY21 that gateway was set at $121.1M. In addition, no STI will be awarded to any individual in breach of the Company's code of conduct.</td></tr>
<tr><td>Measurement period</td><td colspan="3">The Company's financial year i.e., from 1 July 2020 to 30 June 2021.</td></tr>
<tr><td rowspan="5">Performance metrics</td><td colspan="3">In FY21 the below Company Key Performance Indicators (KPIs) were selected as being the most relevant drivers for improving financial performance and growth in shareholder value.</td></tr>
<tr><td>Metric</td><td>Weighting</td><td>Reason for selection</td></tr>
<tr><td>Underlying EBITDA[1]</td><td>Up to 40%</td><td>Indicates the Company's underlying profitability, a measure best suited to its stage of development:
• 50% achieved at bottom end of initial guidance range ($125M)
• 100% achieved at top end of initial guidance range ($130M)
• A linear progression to be applied between the limits.</td></tr>
<tr><td>Data Centre Services Revenue</td><td>Up to 35%</td><td>Indicates the Company's level of incremental growth in new business for the period, an essential criterion in assessing NEXTDC's financial and operational performance:
• 50% achieved at bottom end of initial guidance range ($242M)
• 100% achieved at top end of initial guidance range ($250M)
• A linear progression to be applied between the limits.</td></tr>
<tr><td>Major Project Delivery</td><td>Up to 20%</td><td>This component is for agreed major projects and clear, definable outcomes that drive future growth in capabilities, revenue and earnings. Projects are mostly identified at or prior to the beginning of the financial year but may also be added as the financial year progresses. Projects may complete within the year or flow into the following year. In applying measures against performance, the time and cost will be that in the original approved project submission. These may be modified as to scope, time and costs in</td></tr>
</table>

[1] FY21 underlying EBITDA excludes $0.8 million of costs related to review works into potential data centre investments in Asia as well as the impact of IFRIC's guidance in relation to customisation and configuration spend on cloud software platforms of $0.7 million

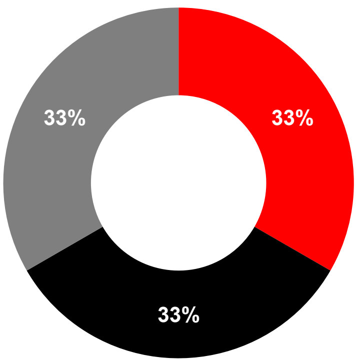
Feature	Description		
			subsequent approved Board submissions. Wherever possible, there will be hard targets. Committee judgment may be required from time to time in some circumstances as to whether or not targets were materially achieved for certain projects. In calculating the award, weighting was to be given to each of the major projects as indicated in Figure 5 below.
	Operations	Up to 5%	This component is for key operational metrics that affect service level standards expressed in uptime performance, data centre energy efficiency as well as measures relating to the health and safety of our employees and visitors. Where possible hard metrics will be applied but Committee judgment may be required in some circumstances as to whether or not targets were materially achieved. In calculating the award, equal weighing was given to each performance component as indicated in Figure 6 below.
Delivery of STI	Payments will be in cash unless otherwise determined by the Board and will normally be paid in September following the Measurement Period subject to the deferral of 50% of the final STI payment, which may be delivered in cash or by grant of rights to acquire fully paid ordinary shares. Deferring 50% of the awarded STI for a period of 12 months is intended to promote sustainability of annual performance over the medium term, acts as a retention mechanism and facilitates the exercise of malus provisions should the Board determine to exercise its discretion.		
Board discretion	If the Company's overall performance during the Measurement Period is substantially lower than expectations and has resulted in a significant loss to shareholders' value, the Board may abandon the STI Plan for the Measurement Period or adjust STI pay outs.		

FIGURE 5: FY21 STI POTENTIAL – MAJOR PROJECT DELIVERY



- Major Project 1 (25%): Deliver M2 hyperscale capacity and expansion works for Stage 3 & 5: on time (50%) and on budget (50%)
- Major Project 2 (15%): Obtain development approval for M3 early works
- Major Project 3 (15%): Finalise early works and complete the first phase of development works at S3
- Major Project 4 (10%): Obtain the Company's first Edge data centre
- Major Project 5 (35%): Complete the refinancing of the Company's debt facilities with a lower cost facility of at least $1.5 billion

FIGURE 6: FY21 STI POTENTIAL – OPERATIONS



- 100% Uptime: Achieve 100% service level agreement (SLA) uptime obligations to NEXTDC customers.
- WH&S: Average injury rates for employees not to exceed a LTIFR of 1.6 (being the industry average of the Information media and Telecommunications Industry Sector).
- PUE: Ensure that NEXTDC: a) retains all NABERS 5-star ratings for those facilities that have already been obtained; and b) work towards the NABERS 5-star certification of other sites within operational limits acceptable to the Board.

3.6 Variable remuneration – Long Term Incentive (LTI) Plan

FINANCIAL YEAR 2021 LTI PLAN

The aim of the LTI Plan is to provide an incentive for Senior Executives to help achieve the Company's strategic objectives by delivering performance that will lead to sustainable and superior returns for shareholders. Another purpose of the LTI Plan is to act as a retention mechanism in order to maintain a stable team of performance-focussed Senior Executives. The current LTI Plan is the NEXTDC Limited Equity Incentive Plan (EIP).

Whilst the Committee is of the opinion that the current structure of the EIP has served it well, it has been actively reviewing its components with the aim of ensuring it remains market appropriate, competitive and in step with the Company's rapid growth and entry into the ASX100. Accordingly, it expects to announce some changes to the EIP program in FY22 and, in particular, in the program's vesting schedule, benchmark index and quantum, as also referenced in the 'Message from the Chair of the Remuneration and Nomination Committee' (Section 1 above) in order to ensure it remains competitive and in line with trends in this area, both seen in its ASX and market peers locally and internationally.

<table>
<tr><th>Feature</th><th colspan="2">Description</th></tr>
<tr><td>Opportunity/ Allocation</td><td colspan="2">Maximum LTI value was set at 100% of Base Salary Packages.
The LTI grant of Performance Rights is calculated by applying the following formula:
Number of Performance Rights = Base Package x Maximum LTI% ÷ Right Value
NB: The Right Value is the volume weighted average share price of Shares over the 10 trading days following the release of the Company's FY20 results. The "Maximum LTI %" recognises that the stretch level of Rights will be granted when stretch performance is achieved.</td></tr>
<tr><td>Measurement period</td><td colspan="2">The Performance Rights measurement period for FY21 is a three (3) year period beginning from the end of trade on the day of release of the FY20 Results and ending upon the end of the day of release of the annual results for FY23.
The measurement period for assessing Total Shareholder Return (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.</td></tr>
<tr><td rowspan="7">Performance hurdle</td><td colspan="2">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:</td></tr>
<tr><td>NEXTDC's TSR over the Measurement Period</td><td>Percentage of Rights that vest</td></tr>
<tr><td>Less than TSR of Index</td><td>Nil</td></tr>
<tr><td>At TSR of Index</td><td>25%</td></tr>
<tr><td>Between TSR of Index and TSR of Index + 5%</td><td>Pro rata vesting from 25% to 100% on a straight-line basis</td></tr>
<tr><td>TSR of Index + 5% or greater</td><td>100%</td></tr>
<tr><td colspan="2">A positive 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 Committee has again reviewed whether the introduction of a second LTI performance measure is appropriate. It remains the Board's view that an additional measure is not appropriate at NEXTDC's current stage of development. The Committee regards the continued application of a relative TSR performance measure to be the most effective method for aligning long-term executive performance with shareholder wealth outcomes and will review the appropriateness of the single measure LTI program on an annual basis.</td></tr>
<tr><td>Reason for selection</td><td colspan="2">TSR was selected as it recognises the total returns (share price movement and dividends assuming they are reinvested into Company shares) that accrue to shareholders over the Measurement Period. This measure creates the most direct alignment between shareholder return and rewards realised by Senior Executives. The measurement period for assessing TSR performance is aligned with the release of results to ensure that the share price upon which TSR is determined at the start and end of the performance period reflects an informed market.
Market adjusted TSR was selected to ensure that participants do not receive windfall gains from broad market movements unrelated to the performance of the Senior Executives.
The positive TSR gate ensures that Senior Executives cannot benefit from the LTI Plan when shareholders have lost value over the Measurement Period. Vesting commences upon NEXTDC's TSR matching the Index TSR, with full vesting occurring once NEXTDC's TSR exceeds the Index TSR by 5% compound annual growth over the performance period. This hurdle has been determined with regard for the historic performance of the ASX 200 Accumulation Index whereby 5% compound annual growth or greater represents upper quartile performance.
This would, in the Board's view, represent an outstanding outcome for the Company.</td></tr>
</table>

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

3.7 Risk Management and Clawback Provisions

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

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

While formal shareholding requirements are not imposed for Senior Executives, the CEO has a material holding in NEXTDC shares, which was valued at approximately 18 times base salary at 30 June 2021.

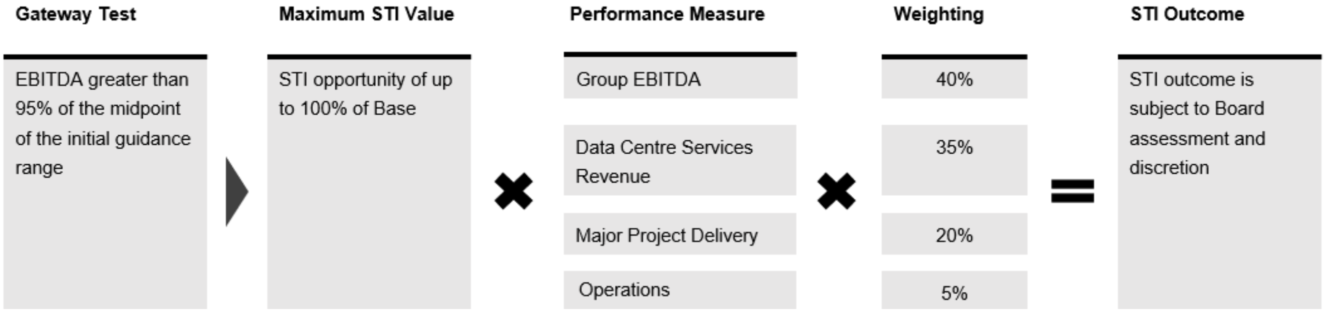
Board discretion is applied to the vesting of all STI's and LTI's to ensure any proposed awards are aligned with shareholder returns. As noted, the Board also retains the ability to reduce or clawback awards in the event of serious misconduct or a material misstatement in the Company's financial statements.

4. STI AND LTI PERFORMANCE OUTCOMES FOR FY21

4.1 STI Vesting Outcomes

The Executives performance against the FY21 STI performance measures – as previously described in section 3.5 above are as follows. The Committee continues to be of the view that they were highly relevant to the Company's financial performance and to growing shareholder value. The individual components contributed to the overall composition of the STI award as follows:

FIGURE 7: CALCULATION OF STI OUTCOMES



Upon review of the above performance criteria set for the FY21 STI Program, the Committee has determined that 88% of the FY21 STI opportunity be awarded to the participants. The FY21 STI outcome was determined by the Committee and approved by the Board. This outcome strictly reflects the performance against the performance criteria set out for this year's program. There has been no further discretion applied to these outcomes.

The individual components of this assessment were as follows:

Type of performance measure and weighting at target	KMP Performance measure	FY21 performance	Level of Achievement (% of Stretch)
Financial 75%	**Underlying EBITDA (40%):** This percentage was awarded out of a maximum of 40% and was arrived at on the basis that the Company achieved underlying EBITDA of $134.5 million against the initial guidance range of $125 million (50%) to $130 million (100%) for this metric set by the Committee. See section 3.5 for more details on its method of calculation including the minimum EBITDA gateway also set for this metric.	$134.5 million	100%
	Data Centre Services Revenue (35%): This percentage was out of a maximum award of 35% and was arrived at on the basis that the Company achieved $246.1 million out of the initial guidance range of $242 million (50%) to $250 million (100%) for this metric set by the Committee. See section 3.5 for details on the method of calculation.	$246.1 million	75%

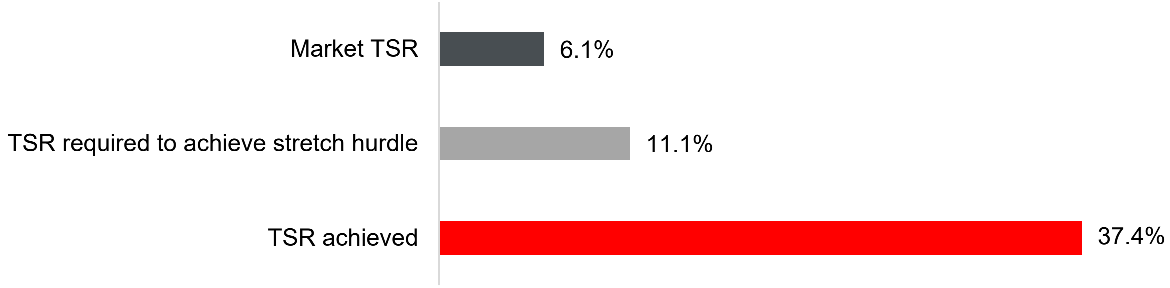
Type of performance measure and weighting at target	KMP Performance measure		FY21 performance	Level of Achievement (% of Stretch)
Non-Financial 25%	Major Project Delivery (20%):	**Major project 1 (25%):** Deliver M2 hyperscale capacity and expansion works for Stage 3 and 5: on time (50%) and on budget (50%)	Achieved	100%
		Major project 2 (15%): Obtain development approval for M3 early works	Achieved	100%
		Major project 3 (15%): Finalise early works and complete the first phase of development works at S3	Achieved	100%
		Major project 4 (10%): Obtain the Company's first Edge data centre	Not achieved	0%
		Major project 5 (35%): Complete the refinancing of the Company's debt facilities with a lower cost facility of at least $1.5 billion	Achieved	100%
	Operational Metrics (5%):	**100% Uptime:** Achieve 100% service level agreement (SLA) uptime obligations to NEXTDC customers.	Achieved	100%
		PUE: Ensure that NEXTDC: a) retains all NABERS 5-star ratings for those facilities that have already been obtained; and b) work towards the NABERS 5 star certification of other sites within operational limits acceptable to the Board.	Achieved	100%
		WH&S: Average injury rates for employees not to exceed a LTIFR of 1.6 (being the industry average of the Information Media and Telecommunications Industry Sector).	2.3	0%

Based on the strict metrics used for the determination of the award and the Company's broader performance during FY21, including pleasing performance in relation to the ongoing response to the COVID-19 pandemic, maintaining 100% uptime SLA and keeping construction performance on plan, completion of a new debt facility and strong share price performance, the Board believes the award is also consistent with the broader achievements of the Company in FY21 and of overall growth in shareholder value.

4.2 LTI Vesting Outcomes

The measurement period for the FY18 LTI was between 31 August 2017 and 28 August 2020. The vesting condition attached to the FY18 LTI was based on NEXTDC's TSR over the measurement period, against the relative performance of the All Ordinaries Accumulation Index (XAOAI).

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



Based on the above assessment, the stretch target was achieved, and the Board, having determined that the participants had been instrumental in the Company's performance over the vesting period, determined that 100% of the LTI granted in FY18 vested, with rights converting to shares following the release of the FY20 Annual Report.

The measurement period for the FY19 LTI is for approximately a three-year period, beginning from the end of trade on the day of release of the FY18 results, and ending upon the end of the day of release of the annual results for FY21. The vesting condition attached to the FY19 LTI is based on NEXTDC's TSR over the measurement period, against the relative performance of the ASX 200 Accumulation Index (Index).

Given vesting is not able to be determined until the end of day of release of the FY21 annual results, the Board will determine vesting following the release of the FY21 Annual Report.

5. EMPLOYMENT TERMS FOR DIRECTORS AND SENIOR EXECUTIVES

5.1 Non-Executive Directors

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

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

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

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

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

The rates of fees including superannuation contributions in respect of the 2021 financial year are as follows:

TABLE 3: NON-EXECUTIVE DIRECTOR FEE SCHEDULE

	From 1 July 2020
Board Chair	$275,000 per annum
Non-Executive Director	$135,000 per annum
Audit and Risk Management Committee Chair	$30,000 per annum
Remuneration and Nomination Committee Chair	$30,000 per annum
Investment Committee Chair	$30,000 per annum
Committee Member	$13,000 per annum

Recommended Non-Executive Director Shareholding

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

5.2 Senior Executives

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

The CEO's base salary package has remained consistent at $1.32 million since FY19. Since his appointment to the role in 2012, the CEO has overseen the Company's expansion, and has delivered:

116%
Compound annual revenue growth

125%
Compound annual growth in total assets

133%
Compound annual market capitalisation growth

NEXTDC is unique among ASX-listed companies due to its high capital-intensity and growth prospects requiring further capital to be invested ahead of demonstrable revenues and profits. Most comparable peers are US-based, as is the more comparable executive talent. The Board considered the Company's long-term strategy and potential and determined that the CEO's remuneration remains appropriate in context of the skills and experience necessary to lead NEXTDC. For FY22, the CEO's base salary package will see a minor increase of $1,874 as a result of the Company's commitment to contribute a 0.5% increase in Super Guarantee Contribution (SGC) effective 1 July 2021.

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

TABLE 4: SERVICE AGREEMENTS

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
David Dzienciol	No fixed term	6 months	6 months

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

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 2021 and 2020 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)

TABLE 5: STATUTORY REMUNERATION

		Base Salary 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	2021	1,298,306	21,694	2,146	(13,103)	**1,309,043**	1,157,977	37%	679,337	**3,146,357**
Simon Cooper	2021	473,306	21,694	368	7,442	**502,810**	438,628	35%	359,963	**1,301,401**
Oskar Tomaszewski	2021	463,306	21,694	-	27,574	**512,574**	438,628	35%	345,269	**1,296,471**
David Dzienciol	2021	463,306	21,694	-	29,902	**514,902**	438,628	35%	345,269	**1,298,799**
Total	**2021**	**2,698,224**	**86,776**	**2,514**	**51,815**	**2,839,329**	**2,473,861**	**36%**	**1,729,838**	**7,043,028**

		Base Salary Package					STI		LTI	
Name	Year	Salary	Super-contributions	Non-monetary benefits	Leave benefits (1)	Subtotal	STI	% of TRP	LTI	Total remuneration package
Craig Scroggie	2020	1,298,997	21,003	1,792	120,737	**1,442,529**	990,000	32%	666,861	**3,099,390**
Simon Cooper	2020	468,998	21,003	1,792	(4,790)	**487,003**	367,500	32%	284,059	**1,138,562**
Oskar Tomaszewski	2020	448,998	21,003	-	23,081	**493,082**	352,500	32%	272,169	**1,117,751**
Adam Scully*	2020	277,116	5,357	-	10,642	**303,115**	219,672	33%	133,849	**656,636**
David Dzienciol	2020	448,998	21,003	-	23,049	**493,050**	352,500	32%	266,762	**1,112,312**
Total	**2020**	**2,943,107**	**99,369**	**3,584**	**172,719**	**3,218,779**	**2,282,172**	**32%**	**1,623,700**	**7,124,651**

*Ceased as KMP on 24 March 2020

(1) Leave benefits in the basic package includes the net movement of short-term leave benefits such as annual leave and long-term leave benefits such as long service leave.

(2) 50% of the 2020 and 2021 STI will be deferred for 12 months, with employees being able to elect whether this is delivered in cash or equity.

6.2 Non-Executive Director Remuneration

Statutory Remuneration received by Non-Executive Directors in FY21 and FY20 is disclosed below.

TABLE 6: NON-EXECUTIVE DIRECTOR REMUNERATION

Name	Financial year	Board fees	Superannuation	Total
Douglas Flynn	2021	281,318	21,694	303,012
Dr Gregory J Clark AC	2021	147,032	13,968	161,000
Stuart Davis	2021	162,557	15,443	178,000
Stephen Smith	2021	165,000	-	165,000
Jennifer Lambert	2021	161,421	3,579	165,000
Dr Eileen Doyle*	2021	114,778	10,904	125,682
Total	**2021**	**1,032,106**	**65,588**	**1,097,694**

*Appointed 26 August 2020

Douglas Flynn	2020	283,247	21,003	304,250
Dr Gregory J Clark AC	2020	152,512	14,489	167,001
Stuart Davis	2020	162,557	15,443	178,000
Stephen Smith	2020	134,189	2,060	136,249
Jennifer Lambert**	2020	106,164	10,086	116,250
Sharon Warburton***	2020	107,306	10,194	117,500
Total	**2020**	**945,975**	**73,275**	**1,019,250**

**Appointed 1 October 2019
***Resigned 31 March 2020

6.3 Changes in Securities Held Due to Remuneration

TABLE 7: CHANGES IN SECURITIES HELD DUE TO REMUNERATION

Name	Instrument	Balance at start of the year	Granted	Exercised	Lapsed	Balance at end of the year
Craig Scroggie	Performance Rights	842,907	113,989	-	-	956,896
Simon Cooper	Performance Rights	314,483	42,314	-	-	356,797
Simon Cooper	Deferred Rights	25,246	15,867	-	-	41,113
Oskar Tomaszewski	Performance Rights	301,077	40,587	-	-	341,664
David Dzienciol	Performance Rights	290,619	40,587	-	-	331,206
David Dzienciol	Deferred Rights	6,618	15,220	-	-	21,838

Performance Rights

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

TABLE 8: PERFORMANCE RIGHTS PROVIDED TO KEY MANAGEMENT PERSONNEL

Name	Financial Year Granted	Number of Performance Rights	Vested during the year	Forfeited during the year	Vested and exercisable at the end of the year	Unvested at the end of the year
Craig Scroggie	2017	223,325	-	-	223,325	-
	2018	194,987	194,987	-	194,987	-
	2019	208,202	-	-	-	208,202
	2020	216,393	-	-	-	216,393
	2021	113,989	-	-	-	113,989
		956,896	**194,987**	**-**	**418,312**	**538,584**
Simon Cooper	2017	83,747	-	-	83,747	-
	2018	73,121	73,121	-	73,121	-
	2019	77,287	-	-	-	77,287
	2020	80,328	-	-	-	80,328
	2021	42,314	-	-	-	42,314
		356,797	**73,121**	**-**	**156,868**	**199,929**
Oskar Tomaszewski	2017	80,025	-	-	80,025	-
	2018	69,871	69,871	-	69,871	-
	2019	74,132	-	-	-	74,132
	2020	77,049	-	-	-	77,049
	2021	40,587	-	-	-	40,587
		341,664	**69,871**	**-**	**149,896**	**191,768**
David Dzienciol	2017	74,442	-	-	74,442	-
	2018	64,996	64,996	-	64,996	-
	2019	74,132	-	-	-	74,132
	2020	77,049	-	-	-	77,049
	2021	40,587	-	-	-	40,587
		331,206	**64,996**	**-**	**139,438**	**191,768**

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

Financial year granted	Fair value at grant date
2017	$1.63
2018	$3.32
2019	$3.07
2020	$4.61#
2021	$6.80#

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

Deferred Rights

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

TABLE 9: DEFERRED RIGHTS PROVIDED TO KEY MANAGEMENT PERSONNEL

Name	Financial Year Granted	Number of Deferred Share Rights	Vested during the year	Forfeited during the year	Vested and exercisable at the end of the year	Unvested at the end of the year
Simon Cooper	2019	18,347	-	-	18,347	-
Simon Cooper	2020	6,899	6,899	-	6,899	-
Simon Cooper	2021	15,867	-	-	-	15,867
David Dzienciol	2020	6,618	6,618	-	6,618	-
David Dzienciol	2021	15,220	-	-	-	15,220
Total		**62,951**	**13,517**	**-**	**31,864**	**31,087**

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

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

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

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

6.4 Director and Senior Executive Shareholdings

During FY21, KMP and their related parties held shares in NEXTDC directly, indirectly or beneficially as follows:

TABLE 10: DIRECTOR AND SENIOR EXECUTIVE SHAREHOLDINGS

Holder	Opening balance	Received during the year as compensation	Received during the year on the exercise of an option or right	Other changes	Closing balance	Shares held nominally at 30 June 2021
DIRECTORS						
Douglas Flynn	160,223	-	-	-	160,223	160,223
Dr Gregory J Clark AC	66,048	-	-	-	66,048	66,048
Stuart Davis	38,160	-	-	-	38,160	38,160
Stephen Smith	-	-	-	-	-	-
Jennifer Lambert	11,846	-	-	6,154	18,000	18,000
Dr Eileen Doyle	-	-	-	13,800	13,800	13,800
SENIOR EXECUTIVES						
Craig Scroggie	1,989,191	-	-	-	1,989,191	383,447
Simon Cooper	215,341	-	-	(65,000)	150,341	14,846
Oskar Tomaszewski	150,610	-	-	-	150,610	-
David Dzienciol	212,618	-	-	(112,000)	100,618	-

The Non-Executive Directors of the Company did not receive any shares in NEXTDC on behalf of the Company in respect of the 2020 and 2021 financial reporting periods.

Loans to Directors and Executives

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

6.5 Remuneration Received (Non-statutory)

Remuneration received in FY21

The amounts disclosed below as Senior Executive remuneration for FY21 reflect the actual benefits received by each Senior Executive during the reporting period. The remuneration values disclosed have been determined as follows:

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

Short-term incentives
Awarded STI represents bonuses that were awarded to each Senior Executive in relation to FY21 performance, 50% of which will be paid in FY22. Starting from FY18, 50% of the STI bonuses awarded are deferred for 12 months, with employees being able to elect whether the award will be delivered in cash or equity. Deferred STI represents the remaining 50% of the FY21 STI that is expected to vest in FY23.

Long term incentives
The value of vested rights was determined based on the intrinsic value of the rights at the date of vesting, being the difference between the share price on that date, and the exercise price payable by the Senior Executive. The performance rights that vested in FY21 were granted in 2018.

TABLE 11: REMUNERATION RECEIVED IN FY21

Name	Fixed Remuneration	Awarded STI (cash)	Deferred STI (cash or equity)	Vested LTI	Total Value
Craig Scroggie	1,322,146	578,988	578,988	2,220,902	4,701,024
Simon Cooper	495,368	219,314	219,314	832,848	1,766,844
Oskar Tomaszewski	485,000	219,314	219,314	795,831	1,719,459
David Dzienciol	485,000	219,314	219,314	740,304	1,663,932
Total	**2,787,514**	**1,236,930**	**1,236,930**	**4,589,885**	**9,851,259**

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

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

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

Audit and non-audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 57.

Auditor

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

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

Craig Scroggie
Managing Director and Chief Executive Officer

27 August 2021

Auditor's Independence Declaration

As lead auditor for the audit of NEXTDC Limited for the year ended 30 June 2021, 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
27 August 2021

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

CORPORATE GOVERNANCE STATEMENT

NEXTDC has established a strong governance framework and continues to be committed to a high level of integrity and ethical standards in all of our business practices. Effective and transparent corporate governance is of critical importance to NEXTDC and the Board of Directors ("the Board"). The Board fully supports the intent of the Australian Securities Exchange ("ASX") Corporate Governance Council's new 4th edition of Corporate Governance Principles and Recommendations ("4th Edition Governance Principles"). NEXTDC meets all the requirements of 4th Edition Governance Principles.

At NEXTDC, corporate governance refers to the overarching monitoring and reporting environment that supports everything the Company does in the operations of our business. It is the combination of processes, metrics and structures implemented and monitored by the Board and CXO team to inform, direct, manage and scrutinise the Company's activities to meet our strategic objectives. This 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, funded by investors, in accordance with 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 it stays on track to meet strategic objectives include:

- An effective risk management framework and internal controls
- Procedures, processes and structures, including policies relating to code of conduct, the stock market and business operations (e.g. Whistleblower Policy, Anti-bribery and Corruption Policy, Shareholder Communications Policy, Continuous Disclosure Policy, Energy and Environmental Policy, Information Security Policy, WHS Policy)
- Regular reporting to the Board and Senior Executives from department heads to understand how NEXTDC is performing as a company and how NEXTDC is managing our 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; and
- 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, Senior Executive level and senior management level.

NEXTDC's Corporate Governance Framework continues to evolve as we seek continual improvement in the way we conduct our business. Further details on how NEXTDC's Corporate Governance aligns with the 4th Edition Governance Principles can be found in the Company's FY21 Corporate Governance Statement and Appendix 4G available at https://www.nextdc.com/investor-centre/corporate-governance

FINANCIAL REPORT

NEXTDC Limited

ABN 35 143 582 521

Financial report
for the year ended 30 June 2021

Financial Report

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

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

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

The financial statements were authorised for issue by the Directors on 27 August 2021.

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

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2021

	Note	30 June 2021 $'000	Restated# 30 June 2020 $'000
REVENUE FROM CONTINUING OPERATIONS			
Data centre services revenue	3	**246,065**	200,778
OTHER INCOME			
Other income	3	**4,384**	5,003
EXPENSES			
Direct costs		**(42,937)**	(38,052)
Employee benefits expense		**(38,090)**	(34,015)
Data centre facility costs		**(13,819)**	(11,423)
Depreciation and amortisation expense		**(94,055)**	(68,715)
Professional fees		**(2,739)**	(2,452)
Marketing costs		**(661)**	(568)
Office and administrative expenses		**(15,226)**	(11,459)
Finance costs	4	**(63,577)**	(57,705)
Profit/(loss) before income tax		**(20,655)**	**(18,608)**
Income tax benefit/(expense)	20	**-**	(26,434)
Profit/(loss) after income tax		**(20,655)**	**(45,042)**
PROFIT/(LOSS) IS ATTRIBUTABLE TO:			
Owners of NEXTDC Limited		**(20,655)**	**(45,042)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(429)**	(63)
Costs of hedging		**100**	-
Loss on cash flow hedges		**(1,026)**	-
Hedging loss reclassified to profit or loss		**593**	-
Total comprehensive income		**(21,417)**	**(45,105)**
Attributable to:			
Owners of NEXTDC Limited		**(21,417)**	**(45,105)**
		Cents	Cents
EARNINGS/(LOSS) PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE GROUP:			
Basic earnings/(loss) per share	2	**(4.53)**	(12.57)
Diluted earnings/(loss) per share	2	**(4.53)**	(12.57)

Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26 (b).

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

Consolidated Balance Sheet
As at 30 June 2021

	Note	30 June 2021 $'000	Restated# 30 June 2020 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**652,334**	892,939
Trade and other receivables	5	**49,716**	45,065
Other assets	6	**14,647**	18,110
Total current assets		**716,697**	**956,114**
NON-CURRENT ASSETS			
Property, plant and equipment	8	**1,883,978**	1,670,815
Other assets	6	**22,699**	3,344
Intangible assets	9	**20,745**	27,219
Total non-current assets		**1,927,422**	**1,701,378**
TOTAL ASSETS		**2,644,119**	**2,657,492**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	**56,009**	64,885
Other liabilities		**-**	2
Lease liabilities	10	**5,970**	5,057
Revenue received in advance		**15,313**	7,088
Unsecured notes	14	**-**	301,811
Total current liabilities		**77,292**	**378,843**
NON-CURRENT LIABILITIES			
Provisions		**1,612**	1,292
Revenue received in advance		**46,967**	27,758
Derivative financial instruments	13(a)	**333**	-
Borrowings	14	**783,156**	496,426
Lease liabilities	10	**71,325**	71,777
Total non-current liabilities		**903,393**	**597,253**
TOTAL LIABILITIES		**980,685**	**976,096**
NET ASSETS		**1,663,434**	**1,681,396**
EQUITY			
Contributed equity	12	**1,759,777**	1,757,262
Reserves		**7,693**	7,612
Accumulated losses		**(104,036)**	(83,478)
TOTAL EQUITY		**1,663,434**	**1,681,396**

#Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26(b).

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2021

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019		**905,117**	**6,412**	**(36,226)**	**875,303**
Change in accounting policy	26	-	-	(2,196)	(2,196)
Restated total equity at the beginning of the financial year		**905,117**	**6,412**	**(38,422)**	**873,107**
Profit/(loss) for the year as previously reported		-	-	(45,174)	(45,174)
Change in accounting policy	26	-	-	131	131
Other comprehensive income		-	(50)	(13)	(63)
Total comprehensive income		**-**	**(50)**	**(45,056)**	**(45,106)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:					
Contributions of equity, net of transaction costs and tax	12(b)	850,634	-	-	850,634
Share based payments - conversion of rights to shares	12(b)	1,395	(1,395)	-	-
Share based payments - value of employee services		-	2,761	-	2,761
Share based payments - deferred STI		116	(116)	-	-
Balance at 30 June 2020 - restated#		**1,757,262**	**7,612**	**(83,478)**	**1,681,396**

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020		**1,757,262**	**7,612**	**(83,478)**	**1,681,396**
Profit/(loss) for the year		-	-	(20,655)	(20,655)
Other comprehensive income		-	(859)	97	(762)
Total comprehensive income		**-**	**(859)**	**(20,558)**	**(21,417)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:					
Contributions of equity, net of transaction costs and tax	12(b)	(31)	-	-	(31)
Share based payments - conversion of rights to shares	12(b)	2,464	(2,464)	-	-
Share based payments - value of employee services		-	3,486	-	3,486
Share based payments - deferred STI	12(b)	82	(82)	-	-
Balance at 30 June 2021		**1,759,777**	**7,693**	**(104,036)**	**1,663,434**

Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26 (b).

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2021

	Note	30 June 2021 $'000	Restated# 30 June 2020 $'000
OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**290,791**	217,317
Payments to suppliers and employees (inclusive of GST)		**(125,101)**	(115,661)
		165,690	101,656
Interest paid		**(42,454)**	(51,091)
(Payments for)/proceeds from bank guarantees		**5,824**	(996)
Interest received		**4,156**	4,144
Net cash inflow from operating activities	22(a)	**133,216**	**53,713**
INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(310,708)**	(397,833)
Payments for intangible assets		**(7,788)**	(6,866)
Net cash (outflow) from investing activities		**(318,496)**	**(404,699)**
FINANCING ACTIVITIES			
Proceeds from borrowings		**800,000**	-
Repayment of notes		**(800,000)**	-
Redemption premiums paid on repayment of Notes	4	**(10,750)**	-
Transaction costs in relation to loans and borrowings		**(43,574)**	(439)
Proceeds from issues of shares and other equity securities	12(b)	**-**	862,024
Transaction costs paid in relation to issue of shares	12(b)	**(31)**	(16,272)
Principal elements of lease payments		**(970)**	(387)
Net cash (outflow) inflow from financing activities		**(55,325)**	**844,926**
Net (decrease) increase in cash and cash equivalents		**(240,605)**	493,940
Cash and cash equivalents at the beginning of the year		**892,939**	398,999
Cash and cash equivalents at the end of the year		**652,334**	**892,939**

Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26 (b).

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

Notes to the Consolidated Financial Report
30 June 2021

Contents of the notes to the consolidated financial report

Notes to the Consolidated Financial Report
30 June 2021
(continued)

(a) Basis of preparation

The 2021 financial statements notes have been grouped into the following sections:

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

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

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

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

The consolidated general purpose financial statements of the Group for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 27 August 2021.

The financial statements:

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

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

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

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

• Adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2020

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

Business performance

1 Segment performance

(a) Description of segments

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

During the year, management reassessed the basis for grouping its operating segments into reportable segments. As a result of a change in the way chief operating decision makers review information, management has determined that NSW and ACT should be combined into one reportable segment (NSW/ACT) effective 1 July 2020. Comparative information has also been combined to reflect this change.

(b) Segment information provided to management

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

30 June 2021	**Vic** $'000	**NSW/ACT** $'000	**Qld** $'000	**WA** $'000	**Other** $'000	**Total** $'000
Revenue from external customers	84,437	115,692	23,553	19,944	2,439	246,065
Direct and facility costs	(16,962)	(30,449)	(4,446)	(4,246)	(653)	(56,756)
Employee benefits expense	(2,655)	(3,327)	(1,503)	(1,758)	(417)	(9,660)
Other expenses	(183)	(321)	(117)	(229)	(885)	(1,735)
Segment EBITDA	**64,637**	**81,595**	**17,487**	**13,711**	**484**	**177,914**
Depreciation and amortisation	(19,353)	(49,060)	(7,577)	(10,687)	(155)	(86,832)
Finance charge	-	(5,269)	-	-	(1)	(5,270)
Segment profit/(loss) before tax	**45,284**	**27,266**	**9,910**	**3,024**	**328**	**85,812**
Segment assets	513,927	960,617	127,796	239,126	11,778	1,853,244
Unallocated assets	-	-	-	-	790,875	790,875
Total segment assets	**513,927**	**960,617**	**127,796**	**239,126**	**802,653**	**2,644,119**

Notes to the Consolidated Financial Report
30 June 2021
(continued)

1 Segment performance (continued)

(b) Segment information provided to management (continued)

30 June 2020	Vic $'000	NSW/ACT $'000	Qld $'000	WA $'000	Other $'000	Total $'000
Revenue from external customers	72,497	86,384	21,763	17,870	2,264	200,778
Direct and facility costs	(16,742)	(23,491)	(4,947)	(3,748)	(547)	(49,475)
Employee benefits expense	(2,073)	(3,005)	(1,604)	(1,289)	(870)	(8,841)
Other expenses	(177)	(271)	(106)	(108)	(1,094)	(1,756)
Segment EBITDA	**53,505**	**59,617**	**15,106**	**12,725**	**(247)**	**140,706**
Depreciation and amortisation	(19,124)	(30,942)	(7,269)	(6,269)	(620)	(64,224)
Finance charge	-	(5,238)	-	-	(6)	(5,244)
Segment profit/(loss) before tax	**34,381**	**23,437**	**7,837**	**6,456**	**(873)**	**71,238**
Segment assets	386,231	866,073	128,990	240,832	9,633	1,631,759
Unallocated assets - restated	-	-	-	-	1,025,733	1,025,733
Total segment assets - restated#	**386,231**	**866,073**	**128,990**	**240,832**	**1,035,366**	**2,657,492**

Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26 (b).

There was no impairment charge or other significant non-cash item recognised in 2021 (2020: nil).

(c) Other segment information

(i) Profit/(loss) before tax

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

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

	30 June 2021 $'000	Restated# 30 June 2020 $'000
Total segment profit before tax	**85,812**	71,238
Employee benefits expense (non-facility staff)	**(28,430)**	(25,174)
Interest revenue	**3,932**	4,447
Other income	**452**	556
Finance costs	**(58,307)**	(52,461)
Head office depreciation	**(7,223)**	(4,491)
Overheads and other expenses	**(16,891)**	(12,723)
Profit/(loss) before tax	**(20,655)**	**(18,608)**

Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26 (b).

Notes to the Consolidated Financial Report
30 June 2021
(continued)

1 Segment performance (continued)

(c) Other segment information (continued)

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

A reconciliation of depreciation and amortisation is provided as follows:

	30 June 2021 $'000	Restated# 30 June 2020 $'000
Segment depreciation and amortisation expense	**86,832**	64,224
Head office depreciation and amortisation expense	**7,223**	4,491
Total depreciation and amortisation expense	**94,055**	**68,715**

Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26 (b).

(ii) Segment liabilities

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

(d) Segment reporting

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

2 Earnings/(loss) per share

(a) Earnings/(loss) per share

	30 June 2021 Cents	Restated# 30 June 2020 Cents
Total basic EPS attributable to the ordinary equity holders of the Group	**(4.53)**	(12.57)

(b) Diluted earnings/(loss) per share

Total diluted EPS attributable to the ordinary equity holders of the Group	**(4.53)**	(12.57)

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

	30 June 2021 $'000	Restated# 30 June 2020 $'000
BASIC EARNINGS/(LOSS) PER SHARE		
Profit/(loss) attributable to equity holders of the Group used in calculating basic EPS:		
Profit/(loss) used in calculating basic earnings/(loss) per share	**(20,655)**	**(45,042)**
DILUTED EARNINGS/(LOSS) PER SHARE		
Profit/(loss) from continuing operations attributable to the equity holders of the Group:		
Used in calculating diluted earnings/(loss) per share	**(20,655)**	**(45,042)**
Profit/(loss) attributable to the equity holders of the Group used in calculating diluted EPS	**(20,655)**	**(45,042)**

Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26 (b).

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

	2021 Number of shares	2020 Number of shares
Weighted average number of ordinary shares used as the denominator in calculation basic earnings/(loss) per share	**455,583,336**	358,311,401
Plus potential ordinary shares	**-**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	**455,583,336**	**358,311,401**

Notes to the Consolidated Financial Report
30 June 2021
(continued)

2 Earnings/(loss) per share (continued)

(e) Information concerning the classification of securities

(i) Performance rights and deferred rights

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

(f) Earnings/(loss) per share

(i) Basic earnings/(loss) per share

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

(ii) Diluted earnings/(loss) per share

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

3 Revenue and other income

	30 June 2021 $'000	30 June 2020 $'000
FROM CONTINUING OPERATIONS		
Data centre services revenue	**246,065**	200,778
Total revenue	**246,065**	**200,778**
Gain on re-assessment of lease under AASB 16	**-**	199
Interest income	**3,932**	4,447
Other items included in gains	**452**	357
Total other income	**4,384**	5,003

(a) Revenue recognised in relation to contract liabilities

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

	30 June 2021 $'000	30 June 2020 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Data centre services revenue	**6,219**	5,008

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(continued)

3 Revenue and other income (continued)

(b) Revenue recognition

AASB 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers and requires application of a five-step process to identify the contract with the customer, identify performance obligations in the contract, determine transaction price, allocate the transaction price to the performance obligations and recognise revenue when performance obligations are satisfied.

Revenue is recognised for the major business activities as follows:

(i) Data centre services

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

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

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

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

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

(ii) Interest income

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

Notes to the Consolidated Financial Report
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4 Expenses

(a) Finance costs

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

	30 June 2021 $'000	30 June 2020 $'000
Costs on extinguishment of Notes and loans	**(14,187)**	-
Interest expense and finance charges	**(43,883)**	(52,396)
Interest expense on lease liabilities	**(5,507)**	(5,309)
Total	**(63,577)**	(57,705)

During the year NEXTDC entered into new senior debt facilities of $1.85 billion. Of this an $800 million Term Loan Facility was drawn down in December 2020 in order to redeem the Notes on issue by their next redemption date of 9 December 2020. Redemption costs of $10.75 million were paid in accordance with agreements on Notes III, Notes IV and Notes IV-2. The remaining costs previously capitalised for the establishment of the Notes and senior debt facility were also written off in December 2020.

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

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Operating assets and liabilities

5 Trade and other receivables

	Note	**30 June 2021 $'000**	30 June 2020 $'000
Trade receivables	5(a)	**39,777**	37,901
Loss allowance	13(c)	**(2,047)**	(1,349)
		37,730	**36,552**
Interest receivable	5(b)	**132**	356
GST receivable		**2,241**	4,963
Other receivables		**9,613**	3,194
Total		**49,716**	**45,065**

(a) Trade receivables

(i) Classification as trade receivables

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

(ii) Fair values of trade and other receivables

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

(iii) Impairment and risk exposure

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

(b) Interest receivable

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

Notes to the Consolidated Financial Report
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(continued)

6 Other assets

		30 June 2021 $'000	30 June 2020 $'000
CURRENT			
Prepayments		**4,874**	4,312
Capitalised transaction costs	6(a)	**3,089**	1,492
Security deposits	6(b)	**4,454**	10,724
Customer incentives	6(c)	**986**	601
Other current assets		**809**	478
Contract costs	6(d)	**435**	503
Total other assets - current		**14,647**	**18,110**

		30 June 2021 $'000	30 June 2020 $'000
NON-CURRENT			
Customer incentives	6(c)	**1,900**	921
Capitalised transaction costs	6(a)	**20,113**	1,868
Contract costs	6(d)	**686**	555
Total other assets - non-current		**22,699**	**3,344**

(a) Capitalised transaction costs

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

(b) Security deposits

Included in the security deposits was $4.0 million (2020: $9.8 million) relating to deposits held as security for bank guarantees.

(c) 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 expected life of the contract.

(d) Contract costs

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

Notes to the Consolidated Financial Report
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(continued)

7 Trade and other payables

	30 June 2021 $'000	30 June 2020 $'000
Trade payables	**37,304**	32,665
Accrued capital expenditure	**2,835**	21,133
Accrued expenses	**7,875**	7,290
Other creditors	**7,995**	3,797
Total trade and other payables	**56,009**	**64,885**

(i) Recognition and measurement

Trade and other payables, including accruals, are recorded when the Group is required to make future payments as a result of purchases of assets or services provided to the Group prior to the end of financial period. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Fair values of trade and other payables

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

(iii) Risk Exposure

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

8 Property, plant and equipment

Movements	Assets in the course of construction $'000	Land and buildings $'000	Plant and machinery $'000	Computer equipment $'000	Office furniture and equipment $'000	Right of use assets $'000	Total $'000
30 June 2021							
Opening net book amount	223,375	753,391	605,684	8,861	1,330	78,174	1,670,815
Exchange differences	(422)	-	-	-	-	-	(422)
Additions	290,373	3	2,799	532	8	778	294,493
Depreciation charge	-	(17,526)	(62,589)	(5,178)	(460)	(4,157)	(89,910)
Disposal	-	-	-	-	-	(58)	(58)
Transfers	(219,266)	147,040	59,593	11,869	764	-	-
Transfers from intangibles	9,060	-	-	-	-	-	9,060
Closing net book amount	**303,120**	**882,908**	**605,487**	**16,084**	**1,642**	**74,737**	**1,883,978**
Cost	303,120	920,090	829,977	32,567	3,403	86,023	2,175,180
Accumulated depreciation	-	(37,182)	(224,490)	(16,483)	(1,761)	(11,286)	(291,202)
Net book amount	**303,120**	**882,908**	**605,487**	**16,084**	**1,642**	**74,737**	**1,883,978**

	Assets in the course of construction $'000	Land and buildings $'000	Plant and machinery $'000	Computer equipment $'000	Office furniture and equipment $'000	Right of use assets $'000	Total $'000
30 June 2020							
Opening net book amount	363,445	506,439	370,977	7,908	1,180	78,524	1,328,473
Additions	384,167	21,501	711	98	5	4,094	410,576
Depreciation charge	-	(12,126)	(47,594)	(3,538)	(389)	(3,733)	(67,380)
Disposal	(81)	-	(3)	(34)	(25)	(711)	(854)
Transfers	(524,156)	237,577	281,593	4,427	559	-	-
Closing net book amount	**223,375**	**753,391**	**605,684**	**8,861**	**1,330**	**78,174**	**1,670,815**
Cost or fair value	223,375	773,053	769,118	20,166	2,630	85,415	1,873,757
Accumulated depreciation	-	(19,662)	(163,434)	(11,305)	(1,300)	(7,241)	(202,942)
Net book amount	**223,375**	**753,391**	**605,684**	**8,861**	**1,330**	**78,174**	**1,670,815**

(a) Property, plant and equipment

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

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

Notes to the Consolidated Financial Report
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(continued)

8 Property, plant and equipment (continued)

(a) Property, plant and equipment (continued)

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

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

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

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

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

9 Intangible assets

	30 June 2021 $'000	Restated# 30 June 2020 $'000
Rights and licences	**13**	13
Internally generated software	**15,673**	14,101
Software under development	**5,059**	13,105
Total intangible assets	**20,745**	**27,219**

Notes to the Consolidated Financial Report
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(continued)

9 Intangible assets (continued)

Movements	Rights and licenses $'000	Internally generated software $'000	Software under development $'000	Total $'000
30 June 2021				
Opening net book amount at 1 July 2020	13	14,101	13,105	27,219
Additions – internally developed	-	1,590	5,141	6,731
Amortisation	-	(4,145)	-	(4,145)
Transfers	-	4,127	(4,127)	-
Transfers to property, plant and equipment	-	-	(9,060)	(9,060)
Closing net book amount	**13**	**15,673**	**5,059**	**20,745**
At 30 June 2021				
Cost	13	26,422	5,059	31,494
Accumulated amortisation	-	(10,749)	-	(10,749)
Net book amount	**13**	**15,673**	**5,059**	**20,745**

	Rights and licences $'000	Internally generated software $'000	Software under development $'000	Total $'000
30 June 2020 - restated#				
Opening	13	7,381	16,284	23,678
Change in accounting policy	-	(2,196)	-	(2,196)
Additions – internally developed	-	-	7,072	7,072
Amortisation	-	(1,335)	-	(1,335)
Transfers	-	10,251	(10,251)	-
Closing net book amount	**13**	**14,101**	**13,105**	**27,219**
At 30 June 2020 - restated#				
Cost	13	20,705	13,105	33,823
Accumulated amortisation	-	(6,604)	-	(6,604)
Net book amount	**13**	**14,101**	**13,105**	**27,219**

Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26 (b).

(a) Intangible assets

RIGHTS AND LICENCES

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

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

9 Intangible assets (continued)

(a) Intangible assets (continued)

INTERNALLY GENERATED SOFTWARE

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

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

SOFTWARE UNDER DEVELOPMENT

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

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

10 Leases

(a) Leases

(i) Amounts recognised in the Consolidated Balance Sheet

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

	30 June 2021 $'000	30 June 2020 $'000
Right-of-use assets *		
Properties	**65,794**	68,736
Motor Vehicles	**92**	176
Connectivity Links	**8,851**	9,262
	74,737	**78,174**

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

	30 June 2021 $'000	30 June 2020 $'000
Lease liabilities		
Current	**5,970**	5,057
Non-current	**71,325**	71,777
	77,295	**76,834**

Additions to the right-of-use assets during the 2021 financial year were $0.8 million (2020 : $4.1 million).

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

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

	30 June 2021 $'000	30 June 2020 $'000
Depreciation charge on Properties	**3,651**	3,226
Depreciation charge on Motor Vehicles	**83**	84
Depreciation charge on Connectivity Links	**423**	423
Interest expense (included in Finance costs)	**5,507**	5,309
	9,664	**9,042**

The total cash outflow for leases in 2021 was $5.7 million (2020 : $5.0 million).

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

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

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

Notes to the Consolidated Financial Report
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(continued)

10 Leases (continued)

(a) Leases (continued)

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

(iv) Extension and termination options

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

Notes to the Consolidated Financial Report
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(continued)

Capital and financial risk management

11 Capital risk management

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

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

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

	30 June 2021 $'000	Restated# 30 June 2020 $'000
Total borrowings and lease liabilities	**860,451**	875,071
Derivative financial instruments	**333**	-
Less: cash and cash equivalents	**(652,334)**	(892,939)
Net debt (surplus cash)	**208,450**	**(17,868)**
Total equity	**1,663,434**	1,681,396
Total capital	**1,871,884**	**1,663,528**
Gearing ratio	**11.1%**	**-%**

Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26 (b).

The change in the gearing ratio was primarily driven by the decrease in cash resulting from capital expenditure activities during the period. Refer to note 8 for movements in property, plant and equipment.

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

12 Contributed equity

(a) Share capital

	Note	**30 June 2021 Number of Shares**	**30 June 2021 $**	30 June 2020 Number of Shares	30 June 2020 $
Fully paid ordinary shares	12(c)	**455,803,059**	**1,759,777,301**	455,046,464	1,757,261,639
Treasury shares - LFSP	12(e)	**861,813**	**1,851,502**	861,813	1,851,502
Total share capital		**456,664,872**	**1,761,628,803**	**455,908,277**	**1,759,113,141**

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12 Contributed equity (continued)

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	$'000
	Opening balance		344,516,921	906,969
3 October 2019	Conversion of rights to shares	(d)	876,373	1,511
7 April 2020	Issue of capital - institutional investors		86,114,523	671,693
7 May 2020	Issue of capital - share purchase plan		24,400,460	190,331
	Transaction costs		-	(16,272)
30 June 2020	Deferred tax credit/(debit) recognised directly in equity		-	4,882
	Sub-total		**455,908,277**	**1,759,114**
	Less shares held by NEXTDC Share Plan Pty Ltd	(e)	(861,813)	(1,852)
	Balance		**455,046,464**	**1,757,262**

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

(c) Ordinary shares

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

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

(d) Performance rights and deferred share rights

Performance rights and deferred share rights, which subject to satisfaction of a performance hurdle, give rise to an entitlement to the value of an ordinary share in NEXTDC Limited. The Board has discretion to determine if the value will be provided in shares, cash or a combination of shares and cash. The Board determined that 100% of the FY18 LTI and those FY19 deferred STIs that elected to take shares rather than cash, would vest in shares, with 756,595 shares issued to employees on 15 September 2020.

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12 Contributed equity (continued)

(e) Loan funded share plan

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

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

	30 June 2021	30 June 2020
Shares held by the Trust but not allocated	**861,813**	861,813

(f) Dividend reinvestment plan

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

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13 Financial risk management

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

During the financial year, NEXTDC entered into a new Syndicated Facility Agreement for $1.85 billion in Senior Debt Facilities.

The Senior Debt Facilities comprise three tranches, each with a tenor of five (5) years:

- A$800 million - Term Loan Facility (fully drawn)
- A$400 million - Capital Expenditure Facility (undrawn)
- A$650 million -Revolving Credit Facility (multi-currency) (undrawn)

The facility has a maturity date of 3 December 2025.

NEXTDC management has sought to mitigate the interest rate risk associated with the floating BBSY rate from the Term Loan Facility by swapping its BBSY exposure for a fixed rate for the first two years of the Term Loan Facility.

Accordingly, on 3 December 2020, NEXTDC entered into $800 million interest rate swaps (apportioned equally between five financial institutions on identical terms) to receive three-month BBSY and pay 0.24580% per annum. The swaps contain a floor option at 0% to match the terms of the Term Loan Facility.

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

The Group holds the following financial instruments:

	30 June 2021 $'000	30 June 2020 $'000
FINANCIAL ASSETS		
Cash and cash equivalents	**652,334**	892,939
Trade and other receivables	**49,716**	45,065
Security deposits	**4,454**	10,724
Total financial assets	**706,504**	**948,728**
FINANCIAL LIABILITIES		
Trade and other payables	**56,009**	64,885
Derivatives - Interest Rate Swaps	**333**	-
Borrowings	**783,156**	798,237
Lease liabilities	**77,295**	76,834
Total financial liabilities	**916,793**	**939,956**

(a) Derivatives

(i) Fair value measurement

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

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30 June 2021
(continued)

13 Financial risk management (continued)

(a) Derivatives (continued)

(ii) Hedging reserves

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

	Cash flow hedge reserve		
	Cost of hedging reserve $'000	**Cashflow Hedge Reserve $'000**	**Total hedge reserves $'000**
Opening balance 1 July 2020	**-**	**-**	**-**
Add: Change in fair value of hedging instrument recognised in OCI	-	(1,026)	(1,026)
Add: Costs of hedging deferred and recognised in OCI	12	-	12
Less: reclassified from OCI to profit or loss	88	593	681
Closing balance 30 June 2021	**100**	**(433)**	**(333)**

Hedge effectiveness

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

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

(b) Market risk

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

(i) Foreign exchange risk

The Group does not have any significant operations outside Australia and its transactions are predominantly conducted in Australian dollars. Consequently, management has determined that the Group 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) Cash flow and fair value interest rate risk

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

13 Financial risk management (continued)

(b) Market risk (continued)

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

Instruments used by the group

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

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

Receive floating pay fixed	Average contracted fixed interest rate		Notional principal amount (AUD)		Fair value (AUD)	
	2021 %	2020 %	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
Less than 1 year						
1 to 2 years	0.2458%	-	800,000	-	(333)	-

Effects of hedge accounting on the consolidated financial position and performance

	30 June 2021 $'000	30 June 2020 $'000
Interest rate swaps		
Hedge ratio	**1:1**	-
Change in fair value of outstanding hedging instruments since 1 July	**333**	-
Change in value of hedged item used to determine hedge effectiveness	**346**	-

SENSITIVITY

The table below shows the impact of 100 basis points movement (net of hedging) in the interest rate curve on the consolidated entity's profit and equity after tax for both derivatives and non-derivative financial instruments at 30 June 2021, with all other variables held constant.

	Impact on post-tax profit		Impact on other components of equity	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Interest rate - increase by 100 basis points *	**-**	-	**6,736**	-
Interest rate - decrease by 100 basis points *	**-**	-	**(1,636)**	-

* Holding all other variables constant

(c) Credit risk

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

13 Financial risk management (continued)

(c) Credit risk (continued)

(i) Cash and cash equivalents and security deposits

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

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

	30 June 2021 $'000	30 June 2020 $'000
CASH AT BANK		
A rated	**120,089**	100,000
AA rated	**532,245**	792,939
TOTAL	**652,334**	**892,939**
SECURITY DEPOSITS		
AA Rated	**3,973**	9,797
Unrated	**481**	927
TOTAL	**4,454**	**10,724**

In determining the credit quality of these financial assets, NEXTDC has used the long-term rating from Standard & Poor's as of July 2021.

(ii) Trade and other receivables

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

The Group aims to minimise concentration of credit risk by undertaking transactions with a large number of customers. Revenues from data centre services of $105.5m were derived from two customers, contributing $64.4m (26%) and $41.1m (17%) respectively (2020: $50.2m (25%) and $26.6m (13%) respectively). In addition, receivable balances are monitored on an ongoing basis with the intention that the Group's exposure to bad debts is minimised.

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

13 Financial risk management (continued)

(c) Credit risk (continued)

(ii) Trade and other receivables (continued)

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

To measure the expected credit loss, receivables have been grouped based on days overdue. The methodology applied in estimating expected credit losses below is consistent with that applied for the year ended 30 June 2020. The impact of COVID-19 on the economy and how Governments, businesses and consumers will respond is uncertain.

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

The loss allowance provision as at 30 June 2021 is determined as follows:

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

30 June 2020	Current $'000	0 to 30 days past due $'000	31 to 60 days past due $'000	More than 60 days past due $'000	Total $'000
Expected loss rate	2%	10%	25%	56%	-
Gross carrying amount	35,310	1,632	224	735	37,901
Loss allowance provision	719	164	56	410	1,349
Net receivables	34,591	1,468	168	325	36,552

(iii) Derivatives

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the derivative transaction contract to meet their obligations. The credit risk exposure to interest rate swaps is the fair value of these contracts. All derivative financial instruments are with our major international banking partners, all of which have a minimum credit rating of ‘A’ in the long-term rating from Standard & Poor’s as of July 2021.

Notes to the Consolidated Financial Report
30 June 2021
(continued)

13 Financial risk management (continued)

(d) Liquidity risk

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

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

(i) Maturities of financial liabilities

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

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

Contractual Maturities of Financial Liabilities	**Within 12 months $'000**	**Between 1 and 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
2021					
Trade payables	**37,304**	**-**	**-**	**37,304**	**37,304**
Lease liabilities	**5,970**	**25,313**	**161,520**	**192,803**	**77,295**
Borrowings	**20,580**	**872,439**	**-**	**893,019**	**783,156**
Total non-derivatives	**63,854**	**897,752**	**161,520**	**1,123,126**	**897,755**
Derivatives	**-**	**336**	**-**	**336**	**333**
Total derivatives	**-**	**336**	**-**	**336**	**333**
2020					
Trade payables	32,665	-	-	32,665	32,665
Unsecured notes	346,182	523,858	-	870,040	798,237
Lease liabilities	4,996	25,589	167,214	197,799	76,834
Total non-derivatives	**383,843**	**549,447**	**167,214**	**1,100,504**	**907,736**
Derivatives	-	-	-	-	-
Total Derivatives	**-**	**-**	**-**	**-**	**-**

(e) Fair value measurements

(i) Trade and other payables

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

(ii) Borrowings

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

14 Borrowings

	30 June 2021 $'000	30 June 2020 $'000
CURRENT		
Unsecured Notes	**-**	301,811

	30 June 2021 $'000	30 June 2020 $'000
NON-CURRENT		
Borrowings	**783,156**	496,426

(a) Bank loan

On 9 October 2020, NEXTDC entered into a new Syndicated Facility Agreement to arrange and underwrite $1.5 billion in senior debt facilities. On 24 November 2020, NEXTDC announced the new senior debt facilities were upsized by $350 million to $1.85 billion. This facility replaced the previously undrawn $300 million Syndicated Senior Secured Debt Facility.

The Senior Debt Facilities are split across three tranches, each with a tenor of five (5) years:

- $800 million - Term Loan Facility
- $400 million - Capital Expenditure Facility
- $650 million - Revolving Credit Facility (multi-currency)

The $800 million Term Loan Facility was drawn down on 3 December 2020 in order to redeem the following Notes on issue by their next redemption date of 9 December 2020:

- Notes III - $300 million
- Notes IV - $300 million
- Notes IV-2 - $200 million

As at 30 June 2021 the $400 million Capital Expenditure Facility and $650 million Revolving Credit Facility (multi-currency) remained undrawn. The Senior Debt Facility has a maturity date of 3 December 2025.

(b) Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2021 financial year (2020: complied).

Notes to the Consolidated Financial Report
30 June 2021
(continued)

14 Borrowings (continued)

(continued)

(c) Fair value

Material differences are identified for the following borrowings:

	2021 Carrying amount $'000	2021 Fair value $'000	2020 Carrying amount $'000	2020 Fair value $'000
Term loan facility	**783,156**	**788,436**	-	-
Unsecured notes	**-**	**-**	798,237	781,546

(d) Borrowings

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

Items not recognised

15 Commitments

(a) Capital commitments

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

	30 June 2021 $'000	30 June 2020 $'000
Property, plant and equipment	**300,022**	82,101
Total capital commitments	**300,022**	**82,101**

Notes to the Consolidated Financial Report
30 June 2021
(continued)

16 Contingencies

(a) Contingent assets

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

(b) Contingent liabilities

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

GUARANTEES

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

17 Events occurring after the reporting period

In July 2021, NEXTDC announced that it has secured a new data centre site in Western Sydney for S4 Sydney. The purchase price of the site is approximately $124 million and will progressively settle as the land parcels are made ready for development between 2H24 and 1H25.

In August 2021, NEXTDC provided an update in relation to its M3 Melbourne site, announcing that planning consent for the site has been obtained and construction has commenced, with the overall size of the M3 Melbourne site also increasing to approximately 100,000 sqm following the acquisition of additional land adjoining the site in FY21. Subject to planning consent for the additional land, the site will be developed into a hyperscale campus which is expected to accommodate a data centre capable of approximately 150MW of capacity, in addition to housing customers' mission critical operation centres, administrative offices and collaboration spaces.

No other matters or circumstances have arisen since 30 June 2021 that have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Notes to the Consolidated Financial Report
30 June 2021
(continued)

Employee remuneration
18 Key management personnel

(a) Key management personnel compensation

	30 June 2021 $	30 June 2020 $
Short-term employee benefits	**6,206,705**	6,174,838
Post-employment benefits	**152,364**	172,644
Long-term benefits	**51,815**	172,719
Share-based payments	**1,729,838**	1,623,700
Total key management personnel compensation	**8,140,722**	**8,143,901**
Comprising		
Senior Executives	**7,043,028**	7,124,651
Non-Executive Directors	**1,097,694**	1,019,250
Total	**8,140,722**	**8,143,901**

Detailed remuneration disclosures are provided in the Remuneration Report.

(b) Loans to key management personnel

There were no loans made to key management personnel during the year (2020: nil).

(c) Other transactions with key management personnel

There were no other transactions with key management personnel during the year (2020: nil).

19 Share-based payments

(a) Performance rights

The performance rights plan was established by the Board of Directors to provide long-term incentives to the Group's Senior Executives based on total shareholder returns (TSR) taking into account the Group's financial and operational performance. Under the Plan, eligible participants may be granted performance rights on terms and conditions determined by the Board from time to time. Outstanding performance rights were granted during the course of FY19, FY20 and FY21. The vesting conditions for grants relate to TSR exceeding the ASX 200 Accumulation Index over the measurement period. Vesting of the rights will be tested on or around the day following the release of each of the annual results for the years ended 30 June 2021, 2022 and 2023 respectively.

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

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

19 Share-based payments (continued)

(a) Performance rights (continued)

	30 June 2021 Number of Rights	30 June 2021 Average Fair Value	30 June 2020 Number of Rights	30 June 2020 Average fair value
Opening balance	**2,326,172**	**$3.53**	2,469,360	$2.64
Granted during the year	**402,348**	**$6.58**	754,809	$4.23
Vested during the year	**(743,078)**	**$3.32**	(858,026)	$1.63
Forfeited during the year	**(19,322)**	**$3.07**	(39,971)	$2.45
Closing balance	**1,966,120**	**$4.24**	**2,326,172**	**$3.53**

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

Under the Group's short-term incentive (STI) scheme for FY20, executives received 50% of the annual STI achieved in cash, with 50% deferred for 12 months. Executives were able to elect whether the deferred component would be delivered in cash or equity. The FY20 tranche of deferred rights were granted in September 2020 and will vest on or around September 2021, being 12 months after the date on which they were granted. They automatically convert into one ordinary share each on vesting at an exercise price of nil. The executives do not receive any dividends and are not entitled to vote in relation to the deferred shares during the vesting period. If an executive ceases to be employed by the Group within this period, they will have 6 months from cessation of employment or the vesting date (whichever is later) to exercise the deferred share right. Any rights not exercised within this period will automatically lapse.

The number of rights to be granted was determined based on the currency value of the achieved STI divided by the volume weighted-average price at which the Company's shares were traded on the Australian Securities Exchange over the 10 days following the release of the Group's FY20 results, being $11.58.

	2021	2020
Number of rights to deferred shares granted	**42,421**	13,517

(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 2021 $'000	30 June 2020 $'000
Performance rights	**2,752**	2,679
Shares issued under employee share scheme	**243**	-
Total expenses arising from share-based payment transactions	**2,995**	**2,679**

Notes to the Consolidated Financial Report
30 June 2021
(continued)

Other

20 Income tax

(a) Income tax expense

	30 June 2021 $'000	Restated# 30 June 2020 $'000
Current tax		
Current tax on profits for the period	**1,225**	-
Previously unrecognised tax losses now recouped to reduce current tax expense	**(1,225)**	-
Sub-total	**-**	**-**
Deferred income tax		
Decrease / (increase) in deferred tax assets less deferred tax credited to equity	**1,277**	25,818
Increase / (decrease) in deferred tax liabilities	**(1,277)**	616
Sub-total	**-**	**26,434**
Income tax (benefit)/expense is attributable to:		
Profit/(loss) from continuing operations	**-**	26,434
	-	**26,434**

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

	30 June 2021 $'000	Restated# 30 June 2020 $'000
Profit/(loss) from continuing operations before income tax expense	**(20,655)**	(18,608)
Tax at the Australian tax rate of 30%	**(6,197)**	(5,582)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Adjustments for deferred tax of prior periods	**248**	(902)
Non-deductible expenses	**-**	21
Share-based payments	**(1,625)**	(848)
Previously unrecognised tax losses now recouped to reduce current tax expense	**(1,225)**	-
Derecognition of temporary differences	**8,558**	22,827
Derecognition of tax losses	**-**	10,635
Non-deductible borrowing expense write-off	**36**	-
Sundry items	**205**	283
Income tax (benefit)/expense	**-**	**26,434**

Notes to the Consolidated Financial Report
30 June 2021
(continued)

20 Income tax (continued)

(c) Amounts recognised directly in equity

	30 June 2021 $'000	30 June 2020 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Current tax debited directly to equity	**-**	(4,882)

(d) Tax losses

	30 June 2021 $'000	Restated# 30 June 2020 $'000
Unused tax losses for which no deferred tax asset has been recognised	**30,675**	35,450
Potential tax benefit @ 30.0%	**9,203**	10,635

Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26 (b).

Income tax

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

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

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

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

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

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

21 Deferred tax

(a) Deferred tax assets

	30 June 2021 $'000	Restated# 30 June 2020 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**9,203**	10,635
Black-hole expenditure deductible in future years	**3,315**	4,831
Property, plant and equipment	**2,104**	2,104
Lease liabilities	**23,188**	23,025
Employee benefits	**2,842**	2,402
Loss allowances	**614**	405
Expenses deductible in future years	**314**	401
Revenue received in advance	**18,684**	10,455
R&D offsets	**2,046**	2,046
Derivative	**100**	-
Total deferred tax assets	**62,410**	**56,304**
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 21(b))	**(21,565)**	(22,842)
Deferred tax assets not recognised	**(40,845)**	(33,462)
Net deferred tax assets	**-**	**-**

Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26 (b).

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

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

21 Deferred tax (continued)

(b) Deferred tax liabilities

	30 June 2021 $'000	30 June 2020 $'000
The balance comprises temporary differences attributable to:		
Accrued interest	**-**	107
Lease assets	**20,968**	21,577
Property, plant and equipment	**597**	1,158
Total deferred tax liabilities	**21,565**	**22,842**
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 21(a))	**(21,565)**	(22,842)
Net deferred tax liabilities	**-**	**-**

22 Cash flow information

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

	30 June 2021 $'000	Restated[#] 30 June 2020 $'000
Profit/(loss) for the year after income tax	**(20,655)**	**(45,042)**
Depreciation and amortisation	**94,055**	68,715
Non-cash employee benefits expense share-based payments	**2,995**	2,761
Costs on extinguishment of Notes and loans	**14,178**	-
Net (gain) loss on disposal of non-current assets	**-**	(199)
Amortisation of borrowing costs	**7,237**	-
CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) / decrease in trade debtors	**(5,374)**	(11,351)
(Increase) / decrease in prepayments and other current assets	**(887)**	(2,213)
(Increase) / decrease in interest receivable	**224**	(302)
(Increase) / decrease in cash used in bank guarantee	**5,824**	(996)
(Increase) / decrease in GST	**5,172**	(669)
(Increase) / decrease in other assets	**350**	(568)
(Increase) / decrease in deferred tax assets	**-**	26,434
Decrease / (increase) in customer incentives	**(1,364)**	195
Decrease / (increase) in trade payables	**3,182**	1,712
Decrease / (increase) in other operating liabilities	**(976)**	(1,627)
Decrease / (increase) in employee entitlements	**1,823**	1,431
Decrease / (increase) in interest payable	**-**	6,382
Decrease / (increase) in revenue in advance	**27,432**	9,050
Net cash inflow from operating activities	133,216	**53,713**

[#] Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26 (b).

Notes to the Consolidated Financial Report
30 June 2021
(continued)

22 Cash flow information (continued)

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

(b) Net cash / (debt) reconciliation

Net cash / (debt)	**30 June 2021 $'000**	30 June 2020 $'000
Cash and cash equivalents	**652,334**	892,939
Borrowings - repayable within one year	**(5,970)**	(306,868)
Borrowings - repayable after one year	**(854,814)**	(568,203)
Net cash / (debt)	**(208,450)**	**17,868**
Cash and liquid investments	**652,334**	892,939
Gross debt - fixed interest rates	**(77,628)**	(508,027)
Gross debt - variable interest rates	**(783,156)**	(367,044)
Net cash / (debt)	**(208,450)**	**17,868**

	Other assets	**Liabilities from financing activities**				
	Cash $'000	**Leases due within 1 year $'000**	**Leases due after 1 year $'000**	**Borrow. due within 1 year $'000**	**Borrow. due after 1 year $'000**	**Total $'000**
Net cash as at 1 July 2019	398,999	(4,949)	(68,379)	-	(793,849)	(468,178)
Cash flows	493,940	-	-	-	-	493,940
Other non-cash movements	-	(108)	(3,398)	(301,811)	297,423	(7,894)
Net debt as at 30 June 2020	892,939	(5,057)	(71,777)	(301,811)	(496,426)	17,868
Cash flows	(240,605)	-	-	-	(54,324)	(294,929)
Other non-cash movements	-	(913)	452	301,811	(232,739)	68,611
Net cash as at 30 June 2021	652,334	(5,970)	(71,325)	-	(783,489)	(208,450)

Notes to the Consolidated Financial Report
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23 Remuneration of auditors

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

(a) PwC Australia

	2021 $	2020 $
Audit and other assurance services		
Audit and review of financial statements	**418,200**	371,901
Other assurance services		
Other statutory assurance services	**19,890**	-
Total remuneration for audit and other assurance services	**438,090**	**371,901**
Taxation Services		
Tax compliance services	**-**	46,266
Total services provided by PwC Australia	**438,090**	**418,167**

(b) Network firms of PwC Australia

(i) Audit and other assurance services

	2021 $	2020 $
Audit and review of financial statements	**11,936**	12,772
Total remuneration of network firms of PwC Australia	**11,936**	**12,772**

(c) Non-PwC audit firms

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

	2021 $	2020 $
Total services provided by PwC	**450,026**	**430,939**

Notes to the Consolidated Financial Report
30 June 2021
(continued)

24 Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Principal activities
		2021 %	2020 %	
NEXTDC Holdings Trust No. 1	Australia	**100**	100	Property Holding Company
NEXTDC Holdings No. 1 Pty Ltd	Australia	**100**	100	Holding Company
NEXTDC Holdings Trust No. 3	Australia	**100**	100	Property Holding Company
NEXTDC Holdings No. 3 Pty Ltd	Australia	**100**	100	Holding Company

Notes to the Consolidated Financial Report
30 June 2021
(continued)

25 Parent entity financial information

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

	30 June 2021 $'000	Restated# 30 June 2020 $'000
Total current assets	**716,607**	965,247
Non-current assets	**1,632,317**	1,439,933
TOTAL ASSETS	**2,348,924**	**2,405,180**
Total current liabilities	**29,019**	378,722
Non-current liabilities	**903,393**	597,237
TOTAL LIABILITIES	**932,412**	**975,959**
NET ASSETS	**1,416,512**	**1,429,221**
Shareholders' equity		
Contributed equity	**1,759,777**	1,757,262
Reserves	**8,142**	7,535
Retained earnings	**(351,407)**	(335,576)
TOTAL EQUITY	**1,416,512**	**1,429,221**
Profit/(loss) for the year after tax	**(15,831)**	(40,813)
Total comprehensive income/(loss) for the year	**(15,831)**	(40,813)

Comparative information has been restated to reflect the change in accounting policy and prior period restatements detailed in note 26 (b).

(a) Reserves

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

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

As at 30 June 2021, NEXTDC Limited did not have any guarantees in relation to the debts of subsidiaries.

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

The parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020.

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

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

(e) Determining the parent entity financial information

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

(i) Tax consolidation legislation

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

25 Parent entity financial information (continued)

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

(i) Tax consolidation legislation (continued)

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

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

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

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

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

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

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

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

26 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of NEXTDC Limited and its subsidiaries. NEXTDC 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 2020 to 30 June 2021. The comparative reporting period is 1 July 2019 to 30 June 2020.

(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.

Notes to the Consolidated Financial Report
30 June 2021
(continued)

26 Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

(ii) New and amended standards adopted by the group

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 July 2020:

- AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material [AASB 101 and AASB 108]
- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business [AASB 3]
- AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia [AASB 1054]
- Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework.
- AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform [AASB 9, AASB 139 and AASB 7]

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The Group's benchmark interest rate exposures are not currently affected by Benchmark Reform and therefore the application of the amendments do not have a material impact for the Group.

Other than the new standards listed above, none of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2020 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Historical cost convention

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

(iv) New standards and interpretations not yet adopted

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

(v) Change in accounting policy

The Group previously capitalised costs incurred in configuring or customising Software-as-a-Service (SaaS) arrangements as intangible assets, as the Group considered that it would benefit from those costs to implement the SaaS arrangements over the expected renewable term of the arrangements. Following the IFRS Interpretations Committee (IFRIC) agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021, the Group has reconsidered its accounting treatment and adopted the treatment set out in the IFRS IC agenda decision, which is to recognise those costs as intangible assets only if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

Notes to the Consolidated Financial Report
30 June 2021
(continued)

26 Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

(v) Change in accounting policy (continued)

As a result of this change in accounting policy, the Group has determined that costs totalling $3.4 million relating to the implementation of SaaS arrangements would need to be expensed when they were incurred, as the amounts were paid to third parties of the Group who did not create separate intangible assets controlled by the Group, or to the suppliers of the SaaS arrangements who did not create separate intangible assets controlled by the Group, or significantly customise the cloud-based software for the Group. In addition, previously recognised amortisation costs of $1.1 million were written back to the period in which they were expensed, resulting in a net impact of $2.3 million as a result of the change in accounting policy. Of this amount, $0.2 million related to the current year, with the remainder relating to prior periods.

The change in policy has been applied retrospectively and comparative information has been restated. This had the following impact on the amounts recognised in the financial statements:

	Increase/(decrease) 30 June 2021 $'000	30 June 2020 $'000	1 July 2019 $'000
Consolidated Balance Sheet			
Intangible assets	(2,297)	(2,065)	(2,196)
Accumulated losses	2,297	2,065	2,196
Consolidated Statement of Comprehensive Income			
Depreciation and amortisation expense	(420)	(362)	
Professional fees	651	231	
Loss after tax	**231**	**(131)**	
Basic EPS	(0.05)	0.04	
Diluted EPS	(0.05)	0.04	
Consolidated Statement of Cash Flows			
Cash flows from operating activities			
Payments to suppliers and employees	651	231	
Cash flows from investing activities			
Payments for intangible assets	(651)	(231)	

(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.

Notes to the Consolidated Financial Report
30 June 2021
(continued)

26 Summary of significant accounting policies (continued)

(c) Critical accounting estimates (continued)

(i) Deferred taxation

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

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

(ii) Income taxes

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

(iii) Leases

On adoption of AASB 16 *Leases* from 1 July 2018, the Group was required to determine the measurement of lease liabilities based on the present value of remaining lease payments, discounted using the Group's incremental borrowing rate at commencement date. Judgement is required in determining an appropriate incremental borrowing rate, and the Group has determined the rate based on the effective interest rate of its most recent borrowings, adjusted to the specific term of each lease. In determining the lease term, management considered all relevant facts and circumstances that create an economic incentive to either exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if it is reasonably certain to be extended. The assessment is reviewed if a significant event or significant change in circumstances occurs which affects this assessment, and that is within the control of the lessee.

(iv) Revenue from contracts with customers

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

(d) Employee Share Trust

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

(e) Share-based payments reserve

The share-based payments reserve is used to recognise:

- the grant date fair value of long-term incentives issued to participants
- the grant date fair value of shares issued to participants

Notes to the Consolidated Financial Report
30 June 2021
(continued)

26 Summary of significant accounting policies (continued)

(e) Share-based payments reserve (continued)

- the issue of shares held by NEXTDC Share Plan Pty Ltd and NEXTDC Employee Share Plan Trust

(f) Functional and presentation currency

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

(g) Impairment of assets

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

(h) Cash and cash equivalents

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

(i) Investments and other financial assets

(i) Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

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

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

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

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

(ii) Measurement

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

Debt instruments

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

26 Summary of significant accounting policies (continued)

(i) Investments and other financial assets (continued)

(ii) Measurement (continued)

Debt instruments (continued)

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

Equity instruments

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

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

(iii) Impairment

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

26 Summary of significant accounting policies (continued)

(j) Derivatives and hedging activities

(i) Classification of derivatives

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

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

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

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

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

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

(ii) Fair Value measurement

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

(k) Provisions

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

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

26 Summary of significant accounting policies (continued)

(k) Provisions (continued)

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

(l) Employee benefits

(i) Short-term Obligations

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

(ii) Other long-term employee benefit Obligations

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

(iii) Share-based Payments

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

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

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

(iv) Retirement benefit Obligations

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

(m) Rounding of amounts

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

(n) Goods and Services Tax (GST)

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

Notes to the Consolidated Financial Report
30 June 2021
(continued)

26 Summary of significant accounting policies (continued)

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

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

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

(o) Parent entity financial information

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

(p) Assets in the course of construction

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

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

(q) Revenue received in advance

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

Directors' Declaration
30 June 2021

In the Directors' opinion:

(a) the financial statements and notes set out on pages 63 to 115 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 2021 and of its performance for the financial year ended on that date, and

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

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

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

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

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

Craig Scroggie
Managing Director and Chief Executive Officer

27 August 2021

Independent auditor's report

To the members of NEXTDC Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 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 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial report, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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

Our audit approach

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

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

Materiality	***Audit scope***	***Key audit matters***
• For the purpose of our audit we used overall Group materiality of $3.3 million, which represents approximately 2.5% of the Group's Earnings Before Interest, Tax, 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 because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We utilised a 2.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • NEXTDC has data centres operating in capital cities across Australia.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Management Committee: – Data Centre Services Revenue Recognition – Non Current Asset additions • 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*

Data Centre Services Revenue Recognition
Refer to note 3 - Revenue and other income $246m
 	
The Group applies AASB 15 Revenue from Contracts with Customers to account for the services it provides to its customers. Accounting for revenue recognition was a key audit matter due to the:
• significance of revenue to understanding the financial results for users of the financial report;
• complexity involved in applying the requirements of AASB 15 given the number of revenue streams and contracts with customers with bespoke terms and conditions, including in relation to recurring service fees, upfront project fees and service credits;
• judgements required by the Group in applying the requirements of AASB 15, such as:
  ◦ identifying the performance obligations under its contracts with customers; and
  ◦ determining the transaction price, considering the terms in the contracts relating to recurring service fees, upfront project fees, and service credits;
  ◦ the method of allocating the transaction price in the contract to the performance obligations.
	We performed the following procedures, amongst others:
	• Assessed whether the Group's accounting policies were in accordance with the requirements of AASB 15 Revenue from Contracts with Customers;
	• Evaluated the judgements made by the Group in applying the accounting policy by obtaining an understanding of the revenue streams and considering the terms and conditions of a sample of contracts;
	• For a sample of contracts for each revenue stream tested, we:
	  ◦ developed an understanding of the key terms of the arrangement including parties, term dates, performance obligations, fees and payment terms;
	  ◦ considered the Group's identification of performance obligations and allocation of the transaction prices to the performance obligations;
	  ◦ recalculated the amount of revenue which the Group has recognised, taking into account the terms of the contracts for recurring service fees, upfront project fees, and service credits.
	• Evaluated the adequacy of the disclosures made in Note 3 in light of the requirements of Australian Accounting Standards.

Non Current Asset additions
Refer to Note 8 Property, Plant and Equipment -$294.5m and Note 9 Intangible assets - $6.7m

NEXTDC has continued to invest in new data centres during the period, and to expand its existing data centre infrastructure. These growth projects require significant capital outlay which results in the capitalisation of external and internal costs into Property, Plant and Equipment and Intangible Assets.

During the current year, $294.5m has been capitalised as additions to Property, Plant and Equipment, while $6.7m has been capitalised to Intangible Assets.

Costs should be capitalised in line with Australian Accounting Standards which outline the criteria required for costs to be capitalised.

This was a key audit matter because of the:

- significance of the additions balance to the Consolidated Balance Sheet;
- judgement involved in assessing whether internally generated intangible assets meet the criteria for capitalisation by reference to the appropriate accounting requirements; and
- potential significance of the additions balance to the Consolidated Statement of Comprehensive Income should the costs not meet the criteria required for capitalisation.

Our audit approach included testing 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.

We performed the following procedures, amongst others:

- developed an understanding of and evaluated the Group's cost capitalisation policy;
- assessed the processes implemented by the Group for the measurement of capitalised costs;
- sample tested capitalised costs to related documentation, including assessing whether they meet the criteria for capitalisation with reference to Australian Accounting Standards;
- assessed the Group's accounting policy, accounting treatment and disclosures adopted in relation to the IFRS Interpretations Committee agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement; and
- for a sample of assets, assessed the timing and method of transfers from assets in the course of construction to the appropriate property, plant and equipment asset class, and recalculated the amount of depreciation that the Group had recognised.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 35 to 55 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of NEXTDC Limited for the year ended 30 June 2021 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
27 August 2021

Shareholder Information
30 June 2021

The following shareholder information was applicable as at 13 August 2021.

Distribution of equity securities

Holding	Number of investors	Number of securities
100,001 and over	79	350,334,649
10,001 - 100,000	1,962	41,392,183
5,001 - 10,000	3,156	22,775,705
1,001 - 5,000	13,446	32,701,116
1 - 1000	22,491	8,599,406
Total	**41,134**	**455,803,059**
Unmarketable parcels	517	4,153

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	143,600,020	31.50
2. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	71,582,315	15.70
3. BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	28,994,690	6.36
4. CITICORP NOMINEES PTY LIMITED	28,803,463	6.32
5. NATIONAL NOMINEES LIMITED	19,990,219	4.39
6. BNP PARIBAS NOMS PTY LTD <DRP>	8,786,523	1.93
7. AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	7,864,487	1.73
8. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	4,206,401	0.92
9. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,491,733	0.77
10. UBS NOMINEES PTY LTD	3,012,747	0.66
11. BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	1,806,771	0.40
12. NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,762,685	0.39
13. BNP PARIBAS NOMS(NZ) LTD <DRP>	1,753,543	0.38
14. MR CRAIG IAN SCROGGIE	1,605,744	0.35
15. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,581,975	0.35
16. BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,543,587	0.34
17. BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	1,343,255	0.29
18. PACIFIC CUSTODIANS PTY LIMITED NXT EMP SHARE PLAN TST	1,338,812	0.29
19. MIRRABOOKA INVESTMENTS LIMITED	1,178,205	0.26
20. JBWERE (NZ) NOMINEES LIMITED <58023 A/C>	1,008,030	0.22
	335,255,205	**73.55**

Shareholder Information
30 June 2021
(continued)

Unquoted equity securities	**Number on issue**	**Number of holders**
Performance rights - issued in FY19	808,963	21
Performance rights - issued in FY20	754,809	26
Performance rights - issued in FY21	402,348	27
Deferred share rights - issued in FY21	42,421	3

Substantial holders

Substantial holders in the Company based on ASX lodgements up until 13 August 2021 are set out below:

Substantial holders	**Number held**	**Percentage of issued shares**
UniSuper	28,363,546	6.23%

Voting rights

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

(i) Ordinary shares

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

(ii) Performance rights and deferred share rights

No voting rights.

NEXTDC Limited
Corporate Directory

Directors	Douglas Flynn *Chairman* Craig Scroggie *Chief Executive Officer* Stuart Davis *Non-Executive Director* Dr Gregory J Clark AC *Non-Executive Director* Stephen Smith *Non-Executive Director* Jennifer Lambert *Non-Executive Director* Dr Eileen Doyle (appointed 26 August 2020) *Non-Executive Director*
Company secretary	Michael Helmer
Registered office	20 Wharf St Brisbane Qld 4000 Tel: +61 7 3177 4777
Website address	www.nextdc.com
Auditor	PricewaterhouseCoopers 480 Queen Street Brisbane Qld 4000 +61 7 3257 5000
Solicitors	Clayton Utz Level 28, Riparian Plaza 71 Eagle Street Brisbane Qld 4000 Herbert Smith Freehills ANZ Tower 161 Castlereagh Street Sydney NSW 2000
Share register	Link Market Services Level 21,10 Eagle Street Brisbane Qld 4000 Tel: 1300 554 474 (in Australia) Tel: +61 (2) 8280 7111 (overseas)
Stock exchange listing	NEXTDC Limited shares are listed on the Australian Securities Exchange (ASX) under ticker code NXT.

NEXTDC

where the cloud lives™

1 July 2020 to 30 June 2021
NEXTDC Limited
ABN 35 143 582 521

For any queries related to NEXTDC's Annual Report please contact us at investorrelations@nextdc.com

www.nextdc.com/contact

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