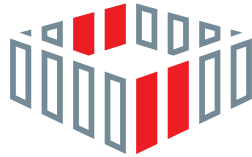


**N E X T D C**

# ANNUAL REPORT 2011

FOR THE PERIOD 11 MAY 2010 TO 30 JUNE 2011

NEXTDC LIMITED ACN 143 582 521



**N E X T D C**

# ANNUAL REPORT

FOR THE PERIOD 11 MAY 2010 TO 30 JUNE 2011

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# CORPORATE DIRECTORY

## DIRECTORS

- Mr Roger Clarke
- Mr Edward (Ted) Pretty
- Mr Craig Scroggie
- Mr Greg Baynton
- Mr Bevan Slattery
- Mr Robin Khuda

## COMPANY SECRETARY

- Mr Robin Khuda

## NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting of NEXTDC Limited will be held at

### REGUS

Level 18, Riverside Centre  
123 Eagle Street  
Brisbane Queensland  
10:00 AM, Monday, 31 October 2011  
A formal notice of meeting is enclosed.

## PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

### NEXTDC LIMITED

Level 4  
88 Creek Street  
Brisbane Qld 4000

## SHARE AND DEBENTURE REGISTER

### LINK MARKET SERVICES

Level 15  
324 Queen Street  
Brisbane Qld 4000

## AUDITOR

### PRICEWATERHOUSECOOPERS

Level 15, Riverside Centre  
123 Eagle Street  
Brisbane Qld 4000

## SOLICITORS

### CLAYTON UTZ

Level 28, Riparian Plaza  
71 Eagle Street  
Brisbane Qld 4000

## STOCK EXCHANGE LISTINGS

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

## WEBSITE ADDRESS

[www.nextdc.com](http://www.nextdc.com)

# LETTER FROM THE CHAIRMAN

Dear Shareholder,

On behalf of the board of directors of NEXTDC Limited, it is my pleasure to present NEXTDC Limited's (the "Company") first annual report and to invite you to join us at the Company's upcoming Annual General Meeting. The full 2011 Annual Report and all market releases are available for download from the investor section of the Company's website ([www.nextdc.com](http://www.nextdc.com)).

Following its successful Initial Public Offering (IPO) on 13 December 2010, the Company continued to expand aggressively and established a national footprint in a very short period of time and is the only neutral data centre provider with strategic footprint in all major growth markets in Australia, namely Brisbane, Melbourne, Canberra, Perth and Sydney.

In the next twelve months, three out of those five sites will go live (Brisbane, Melbourne and Canberra) and the remaining two sites (Perth and Sydney) are expected to be completed by the end of the 2012 calendar year.

Since its IPO, the Company completed capital raisings of approximately \$89 million (including September 2011 tranche 2 placement) in addition to the \$60 million equity it raised between the Company's inception via foundation shareholder contribution and IPO. With over \$150 million equity (post tranche 2 placement in September 2011), the Company is well-funded to execute its business strategy and successfully undertake its expansion and growth programs as announced to the market.

As outlined in our Prospectus of November 2010 (available at [www.nextdc.com](http://www.nextdc.com)), the demand drivers for data centre services are strong, and are underpinned by accelerating data growth rates, the emergence and growth of cloud (internet-based) computing, and increased outsourcing of data centre services. The demand is being further fuelled by factors such as data sovereignty, the National Broadband Network (NBN), unlimited internet plans and the wider acceptance of tablet computing and of smartphones that require access to data anywhere and anytime.

In early 2011, Mother Nature wrought havoc through flooding and cyclones in Queensland and earthquakes in New Zealand and Japan. As tragic as these events were, it served to some businesses as a test and a reminder of the importance of having reliable data centre space - both primary and secondary facilities.

Finally, the proposed carbon tax introduced in 2011 by the Australian Government has caused many businesses to further rethink the environmental impact of their operations - in particular, their CO<sub>2</sub> emissions. Businesses who manage their own in-house data centres that do not incorporate significant "green" features could be subject to material carbon tax. NEXTDC's purpose-built data centre design incorporates a series of "green" features including tri-generation plants aiming to reduce CO<sub>2</sub> emissions making it attractive to customers.

When NEXTDC's all initial five facilities are running at full capacity, the Company will have invested over \$250 million in fit out infrastructure (excluding the value of land and building) to support our data-hungry nation. This level of investment is significant for any company. The Company has secured suitable data centre sites with access to significant power and multicarrier fibre optic infrastructure that create barriers to entry for its competitors.

On this note, the Board of Directors of NEXTDC wishes to acknowledge the support from its shareholders. The current economic environment presents tremendous challenges, however, with the achievements the company has made to date, NEXTDC is well positioned to execute its vision to become the most recognised, connected and trusted data centre brand in Australia and New Zealand.



**Roger Clarke**  
Chairman  
NEXTDC Limited

## LETTER FROM THE CHIEF EXECUTIVE OFFICER (CEO)

I would like to take the opportunity in this annual report, both the first year of NEXTDC Limited and the first year of a very successful listing on the Australian Securities Exchange (ASX), to thank those shareholders, staff and customers who have supported NEXTDC over the past year.

The 2010/11 financial period has been a highly successful year of start-up and rapid expansion nationally driven by anticipated customer demand for independent data centres. I will make no secret of NEXTDC's aggressive market expansion – we see an abundance of opportunity in the marketplace driven by tremendous growth in data, wider acceptance of cloud computing, increased data centre outsourcing, concern around data sovereignty and requirements for highly secured data centres and finally the proposed introduction of a carbon tax.

Thus, it has been important for the Company to act very quickly on every front including capital raisings, suitable site acquisition, securing access to significant power and fibre optic infrastructure, and seeking to recruit a talented management and delivery team. As at the date of this report, NEXTDC has raised over \$150 million of shareholder capital (including tranche 2 placement in September 2011), established a presence in five growth markets in Australia and employed approximately 25 staff.

The Company recorded a loss of \$1,674,409 for the period 11 May 2010 to 30 June 2011. The loss relates primarily to salaries (approximately \$1.5 million), depreciation and amortisation of old equipment in B1 facility (approx. \$0.7 million) and other costs normally incurred in the start-up of a company. The Company received approximately \$1.8 million interest income during that period through efficient cash-flow and suppliers' payment term management.

While the Company recorded no data centre revenue in this period, it is well placed to commence delivering revenue from the 2012 financial year following the opening of Brisbane, Melbourne and Canberra facilities. It should be noted that revenue for the 2012 financial year will be nominal due to different go live dates for its facilities.

The Company expects rapid improvement of its revenue when all its initial facilities are fully operational. A summary of the facilities to the date of the report is provided in Review of Operations section starting on page 6. Access to power is a considerable challenge for potential and existing data centre providers. I am pleased to report that upon completion of its initial five facilities, the Company expects to have access to approximately 65 MVA power capable of delivering over 33MW of IT load. NEXTDC is currently planning initial fit out of approximately 14MW IT load across all of those five facilities leaving significant opportunity for future growth as demand increases.

Further, we are developing advanced software technologies designed to provide greater visibility and functionality to our customers who acquire services from NEXTDC. Our ONEDC portal (due for release later this year) will allow customers to view near real-time critical information about their services and will simplify monitoring and managing customers' equipment from a single portal for all NEXTDC facilities.

As each of our facilities are nearing completion, our focus will shift from construction activities to the revenue-generating phase. Preliminary sales and marketing activities have already been undertaken and NEXTDC will continue to grow its sales and customer facing team to build a strong sales pipeline and secure customers. Further update on its sales activities will be provided during the Company's Annual General Meeting (AGM) presentation in October 2011.

NEXTDC's future is very bright, with its growth being backed by a strong balance sheet, already secured ideal data centre sites, access to significant power and fibre optic infrastructure, and most importantly, an experienced team of people. NEXTDC is on track to enable the cloud revolution by delivering a national network of independent data centres in Australia and New Zealand.



**Bevan Slattery**  
Chief Executive Officer  
NEXTDC Limited

# REVIEW OF OPERATIONS

This review of operations covers the period 11 May 2010 to 30 June 2011 which is the first full year for NEXTDC Limited.

NEXTDC was established in May 2010 by one of Australia's most successful information technology and internet entrepreneurs, Mr Bevan Slattery, to build and operate carrier and systems integrator neutral data centres in Australia and New Zealand. The Company is planning to offer a range of highly flexible, scalable, resilient, energy efficient and secure data centres and related services to corporate, government and wholesale customers.

After acquiring properties in Brisbane and Melbourne, NEXTDC listed on the ASX in December 2010 and since then, acquired properties in Sydney and Perth and entered into a long term operating lease in Canberra to operate data centres.

From 11 May 2010 to the date of this report, NEXTDC's operations consisted solely of establishment of the Company and acquisition and development of data centre facilities. During the period, none of the data centre facilities were operational.

A summary of the facilities to the date of the report is as follows\*:

	B1 BRISBANE	M1 MELBOURNE	C1 CANBERRA	P1 PERTH	S1 SYDNEY
<b>Location</b>	Brisbane CBD	Port Melbourne	Bruce	Malaga	Macquarie Park
<b>Size of Land</b>	800m <sup>2</sup>	14,300m <sup>2</sup>	26,800m <sup>2</sup>	8,100m <sup>2</sup>	10,000m <sup>2</sup>
<b>Facility Size</b>	3,000m <sup>2</sup>	17,500m <sup>2</sup>	6,000m <sup>2</sup>	8,000m <sup>2</sup>	15,000m <sup>2</sup>
<b>Technical Area</b>	1,800m <sup>2</sup>	6,000m <sup>2</sup>	2,000m <sup>2</sup>	3,000m <sup>2</sup>	5,000m <sup>2</sup>
<b>Total Capacity</b>	2.25MW	12MW	3MW	6MW	10MW
<b>Initial Fit Out</b>	2.25MW	6MW	1.5MW	2MW	2.5MW
<b>Live Date**</b>	Q3 2011 CY	Q4 2011 CY	Q1 2012 CY	Q3 2012 CY	Q4 2012 CY

\* Approximate only and subject to change.

\*\* Live dates are reported on a Calendar Year (CY) basis. Live dates are subject to receiving planning and development approval from relevant government bodies, receiving power supply from electricity distribution companies on time and construction related timelines being met.

We are enabling the cloud revolution by delivering power-efficient data centres across Australia that provide the high availability, connectivity and security that organisations need to transition to cloud computing.





B1 Brisbane: Computer-generated render of existing building with architectural upgrades.

## B1 BRISBANE

OUR B1 FACILITY IS A REFURBISHMENT OF AN EXISTING OFFICE BUILDING IN THE HEART OF BRISBANE CBD.

NEXTDC's B1 facility is a refurbishment of an existing office building in the heart of Brisbane CBD. B1 is one of the most highly connected buildings in Brisbane with access to fibre from Telstra, Optus/Uecomm, Nextgen, PIPE Networks, CITEC, Energex and Brisbane City Council.

Acquired in August 2010, NEXTDC has been progressively fitting out the building since then. B1 will have initial fit out and total capacity of approximately 2.25MW across technical space of 1,800m<sup>2</sup> and as of the reporting date, the Company has received all relevant planning and development approvals, including power.

B1 is nearing completion and final testing and commissioning are being undertaken. Sales activities remain strong in Brisbane.



M1 Melbourne: Computer-generated render of intended construction design.

## M1 MELBOURNE

M1, WHICH IS TO BE NEXTDC'S FLAGSHIP DATA CENTRE FACILITY, IS LOCATED IN PORT MELBOURNE, APPROXIMATELY 5KM FROM MELBOURNE CBD.

M1, which is to be NEXTDC's flagship data centre facility, is located in Port Melbourne, approximately 5km from Melbourne CBD. A 14,300m<sup>2</sup> block of land was acquired in September 2010 after an extensive due diligence process.

Construction is progressing in accordance with our timetable and key fit out items have been ordered. Initial power is expected to be delivered end of November 2011. All relevant planning and development approvals have been obtained.

When fully fitted out, this facility will boast a total capacity of 12MW of IT load across six data halls. M1 will feature some of the latest technologies available in the market and will be one of the most efficient data centres operating in Australia. It will feature a number of leading technical and environmental initiatives such as tri-generation plants which are aimed at achieving long term energy efficiency.

M1 is expected to be live in Q4 of the 2011 calendar year with an initial fit out of 6MW. Sales activities remain strong in Melbourne.



C1 Canberra: Computer-generated render of existing building with architectural upgrades.

## C1 CANBERRA

ON 18 JULY 2011, NEXTDC ANNOUNCED THAT IT ENTERED INTO A 15-YEAR OPERATING LEASE OVER A PURPOSE-BUILT DATA CENTRE FACILITY IN BRUCE, ACT.

On 18 July 2011, NEXTDC announced that it had entered into a 15-year operating lease over a purpose-built data centre facility in Bruce, ACT. The facility was formerly occupied by a major government agency and was constructed to a very high level standard to meet the ASIO-T4 physical security specification and provides complex and specialised engineering services to provide high levels of service and reliability including two on-site substations.

This strategically located facility is approximately 6 kilometres north-west of ACT's capital city of Canberra offering excellent access to major public and fibre optic infrastructure. The facility is well connected by Telstra, Optus and ICON (Intra Government Communications Network) fibres critical in offering secure and reliable connectivity to both Government and cloud providers.

NEXTDC has already commenced planning its modernisation program for this facility and anticipates that it will be live by Q1 of the 2012 calendar year. C1 will provide approximately 3MW of IT load capacity over 2,000m<sup>2</sup> technical space, of which 1.5MW will be fitted out initially.

It should be noted that the lease agreement was entered into in July 2011. Consequently, the financial report was not impacted by any transactions in relation to C1.



P1 Perth: Computer-generated render of intended construction design.

## P1 PERTH

IN APRIL 2011, NEXTDC  
ANNOUNCED THE PURCHASE  
OF 8,100m<sup>2</sup> OF VACANT LAND IN  
MALAGA, PERTH.

This strategically located site is approximately 11 kilometres north-east of Perth's CBD and also offers excellent access to major public and telecommunications infrastructure. The facility is in close proximity of a major electricity substation and has fibre optic infrastructure from Nextgen, Amcom, Optus and Telstra at the street. A purpose-built data centre will be constructed to a standard to meet high level security and engineering specifications.

Final design for P1 has been completed and NEXTDC is expecting to lodge planning and development applications with relevant authorities by the end of August 2011. Once relevant approvals are received, NEXTDC expects to commence construction of P1 by the end of the 2011 calendar year with an anticipated go live date in Q3 of 2012 calendar year.

Like M1, P1 facility design incorporates some of the most advanced green initiatives. Additionally, P1 design will incorporate direct free air cooling technology.

When fully fitted out, P1 will provide 6MW of IT load capacity over 3,000m<sup>2</sup> technical space. NEXTDC is expecting to fit out 2MW initially. The initial power supply allocation has been secured with the relevant utility provider.



S1 Sydney: Computer-generated render of intended construction design.

## S1 SYDNEY

IN MARCH 2011, NEXTDC ANNOUNCED THE PURCHASE OF 10,000m<sup>2</sup> OF VACANT LAND IN MACQUARIE PARK, SYDNEY.

In March 2011, NEXTDC announced the purchase of 10,000m<sup>2</sup> of vacant land in Macquarie Park, Sydney.

This strategically located site is approximately 12 kilometres north-west of Sydney's CBD and is ideally situated adjacent to major public, telecommunications and power infrastructure in a precinct which is recognised as one of Australia's major technology hubs.

A purpose-built data centre will be constructed to a standard to meet high level security and engineering specifications.

In early August 2011, final design for the S1 facility was completed and NEXTDC lodged planning and development applications with relevant authorities. Once relevant approvals are received, NEXTDC expects to commence construction of the S1 facility in early 2012 calendar year with an anticipated go live date in Q4 of 2012 calendar year.

Like the M1 and P1 facilities, the S1 facility design incorporates some of the most advanced green initiatives. Additionally, the S1 facility design will incorporate direct free air cooling technology.

When fully fitted out, S1 will provide 10MW of IT load capacity over approximately 5,000m<sup>2</sup> technical space. NEXTDC is expecting to fit out 2.5MW initially. The initial power supply allocation has been secured with the relevant utility provider.



## SERVICES

NEXTDC'S INDEPENDENT ECOSYSTEM PROVIDES CUSTOMERS MORE THAN JUST SPACE, POWER, COOLING AND SECURITY. IT STREAMLINES EASE OF DOING BUSINESS AND CREATES A COMPLETELY FLEXIBLE BUSINESS OPERATIONAL MODEL THAT CUSTOMERS HAVE FULL CONTROL OVER.

### PRIVATE DATA SUITES

NEXTDC's data centres will offer private data suites to customers with larger space and higher security requirements. Each caged suite is fully secured with its own security access and will have its own power distribution board, enabling customers to monitor their power consumption.

### BLOCKS AND RACKS

NEXTDC's data centres will offer blocks and racks to customers with smaller space requirements.

Individual racks or blocks of at least 10 contiguous racks provide a flexible option for those seeking to gain access to the cost and convenience benefits associated with colocation data centre infrastructure.

### INTERCONNECTION ROOMS

NEXTDC intends to provide interconnection capabilities to customers of its data centres via interconnection rooms.

These dedicated rooms will provide an environment for communications companies, application providers and content providers to interconnect with each other, acting as hubs with close proximity to major fibre routes.

Customers will have the option of either connecting into established fibre points or connecting fibre directly into the data centre to be terminated in NEXTDC's interconnection rooms.

A minimum of two entry points into each building and multiple communications risers provide customers with physically diverse solutions.



# DIRECTORS' REPORT

Your directors present their report on NEXTDC Limited ("the Company").

## DIRECTORS

The following persons were directors of the Company during the whole of the period and up to the date of this report (unless otherwise specified):

- Mr Roger Clarke
- Mr Edward (Ted) Pretty (appointed 1 April 2011)
- Mr Craig Scroggie (appointed 1 November 2010)
- Mr Greg Baynton
- Mr Bevan Slattery
- Mr Robin Khuda

## PRINCIPAL ACTIVITIES

During the period the principal continuing activities of the Company consisted of establishment of the Company and constructing carrier and systems-integrator neutral data centres in Australia.

The following significant changes in the nature of the activities of the Company occurred during the period:

- Raising \$40 million of equity through an initial public offering on the Australian Stock Exchange on 13 December 2010.
- Raising a further \$48.9 million (approximately) of shareholder funds through an institutional placement and shareholder purchase plan in April 2011.

## DIVIDENDS

Dividends were neither paid nor declared during the period.

## REVIEW OF OPERATIONS

Information on the operations of the Company and its business strategies and prospects is set out in the review of operations starting on page 6 of this annual report.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial period were as follows:

- Contributed equity increased by \$20,000,000 (from \$100 to \$20,000,100) as the result of contribution of equity from Mr Bevan Slattery in the latter half of the 2010 calendar year.
- In December 2010 through the Initial Public Offering ("IPO"), contributed equity increased by \$40,000,000 (from \$20,000,100 to \$60,000,100).
- In April 2011, contributed equity increased by \$48,946,841 (from \$60,000,100 to \$108,946,941) as the result of an institutional placement and a shareholder purchase plan.

Details of the changes in contributed equity are disclosed in note 18 to the financial statements.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 18 July 2011, the Company secured a 15-year lease over a secure data centre facility in Canberra. The lease is an operating lease with which the risks and rewards remain with the lessor. Due to the commercially sensitive nature of the lease agreement, the financial impact has not been disclosed in the financial report.

On 1 August 2011, the Company announced a fully-underwritten capital raising of \$50 million comprised of two tranches being an institutional placement of approximately \$30 million at \$1.75 per share and a conditional placement of approximately \$20 million at \$1.75 per share. The conditional placement is subject to shareholder approval at an extraordinary general meeting to be held on 15 September 2011.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company that were not finalised at the date of this report included:

- The go-live date of data centres as outlined in the Review of Operations section starting on page 6
- Capital recycling program including sale and leaseback of assets
- Financing arrangement
- Expansion program
- Mergers and acquisitions

Additional comments on expected results of certain operations of the Company are included in this annual report under the review of operations and activities on page 6.

Further information on likely developments in the operations of the Company and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

## ENVIRONMENTAL REGULATION

The Company is subject to significant environmental regulation in respect of its land and building development activities as set out below.

### LAND AND BUILDING DEVELOPMENT APPROVALS

Planning approvals are required for land and building development at all our facilities, including, but not limited to:

- B1: Urban Land Development Authority Act 2007 and Sustainable Planning Act 2009
- M1: Planning and Environment Act 1987
- C1: Australian Capital Territory (Planning and Land Management) Act 1998
- P1: Planning and Development Act 2005
- S1: Environmental Planning and Assessment Act 1979

The relevant authorities are provided with regular updates and, to the best of the directors' knowledge, all activities have been undertaken in compliance with the requirements of the planning approvals.

## GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

Given the company is still in its start-up phase, it is not currently a large consumer of energy or an emitter of greenhouse gases. However, the Company expects in the future to be subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.

The Energy Efficiency Opportunities Act 2006 will require the Company to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Company intends to take as a result.

When applicable, the Company continues to meet its obligations under this Act.

The National Greenhouse and Energy Reporting Act 2007 will require the Company to report its annual greenhouse gas emissions and energy use. The Company intends to implement systems and processes for the collection and calculation of the data required, and to comply with its obligations under this Act when applicable.

# INFORMATION ON DIRECTORS

INDIVIDUAL COMMITMENT TO A GROUP EFFORT - THAT IS WHAT MAKES A TEAM WORK, A COMPANY WORK, A SOCIETY WORK, A CIVILIZATION WORK.





## MR ROGER CLARKE

Chairman, Independent Non-executive Director

### EXPERIENCE AND EXPERTISE

Mr Roger Clarke is the Chairman of the board and has over 30 years commercial experience in the investment banking industry, with responsibilities in fund management, banking and corporate finance.

### OTHER CURRENT DIRECTORSHIPS

He is currently the Chairman of the Board of Advice at RBS Morgans Limited, and in this capacity has been involved in a significant number of initial public offerings, capital raisings and corporate transactions.

Mr Clarke currently serves as the chairman of Tissue Therapies Limited, MTA Insurance Limited and Coalbank Limited. He is also a director of Maverick Drilling and Exploration Limited and Trojan Equity Limited.

### FORMER DIRECTORSHIPS

Previously Mr Clarke was the Chairman of PIPE Networks Limited.

### SPECIAL RESPONSIBILITIES

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

### INTERESTS IN SHARES AND OPTIONS

Mr Clarke holds 260,714 fully paid ordinary shares in NEXTDC Limited and 250,000 unlisted options.



## MR EDWARD (TED) PRETTY

Executive Deputy Chairman\*

### EXPERIENCE AND EXPERTISE

Mr Ted Pretty joined NEXTDC in the role of Executive Deputy Chairman, effective 1 April 2011.

Mr Pretty is well known for his vision, leadership and reputation as one of the most successful Information Technology & Telecommunications (IT&T) executives in Australia. His lengthy experience and depth of understanding of the Australian IT&T and Investment Banking sectors is well known.

Mr Pretty recently returned to Australia from the Middle East following his tenure at Gulf Finance House as its Group Chief Executive Officer.

### FORMER DIRECTORSHIPS

Mr Pretty was Chairman of Fujitsu Australia Limited, inaugural Chairman and Non-Executive Director of ASX-listed RP Data Limited, Board Member of the Australian Nuclear Science and Technology Organisation and an Executive Director at Macquarie Capital Advisers.

Prior to those roles, he was a key senior executive at Telstra Corporation Limited, in the role of Group Managing Director heading up variously Telstra's technology and product and retail, consumer and marketing divisions.

Mr Pretty has also served as a Partner at media and telecommunications law firm, Gilbert & Tobin prior to joining Telstra.

### SPECIAL RESPONSIBILITIES

- Member of the Remuneration and Nominations Committee

### INTERESTS IN SHARES AND OPTIONS

Mr Pretty holds no shares in NEXTDC Limited and holds 750,000 unlisted options.

\* Although Mr Pretty holds the title of Executive Deputy Chairman, the board considers that he is independent.



## MR GREG BAYNTON

Independent Non-executive Director

### EXPERIENCE AND EXPERTISE

Mr Greg Baynton is the founder and Executive Director of Orbit Capital, a boutique investment and advisory company. He comes from a background in merchant banking and Queensland Treasury, and has experience in infrastructure investment, project origination, capital raisings, IPOs, pre-IPO funding, corporate structuring and corporate governance.

Mr Baynton holds a Bachelor of Business (Accountancy), a Master of Economic Studies (UQ), a Post-graduate Diploma in Applied Finance & Investment (SIA), and a Master of Business Administration (QUT). Mr Baynton is a Fellow of the Financial Services Institute of Australasia.

### OTHER CURRENT DIRECTORSHIPS

Mr Baynton is currently Deputy Chairman of Coalbank Limited, and a Director of Tissue Therapies Limited.

### FORMER DIRECTORSHIPS

Previously Mr Baynton was a Director of PIPE Networks Limited.

### SPECIAL RESPONSIBILITIES

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

### INTERESTS IN SHARES AND OPTIONS

Mr Baynton holds 260,714 fully paid ordinary shares and 250,000 unlisted options.



## MR CRAIG SCROGGIE

Independent Non-Executive Director.

### EXPERIENCE AND EXPERTISE

Mr Craig Scroggie is the Vice President and Managing Director of Symantec in the Pacific region encompassing Australia, New Zealand and the Pacific Islands.

Previously the senior director of business development for Asia Pacific and Japan, Mr Scroggie was responsible for leading enterprise business development for Symantec's fastest growing region. Mr Scroggie has previously held senior leadership positions with Veritas Software, Computer Associates; EMC Corporation and Fujitsu.

Mr Scroggie has twice served as a judge in the Office of the Federal Privacy Commissioners 2008 and 2009 Australian Privacy Awards and twice given evidence as an expert witness in the Australian Government Standing Committee on Communications Inquiry into Cyber Crime, and the Federal Parliament Joint Select Committee on Cyber Safety.

Mr Scroggie is a graduate and fellow of the Australian Institute of Company Directors, a fellow of the Australian Institute of Management, a fellow of the Australian Sales & Marketing Institute.

Mr Scroggie is a Graduate of the University of Southern Queensland and holds a Post Graduate Diploma in Management, and a Master of Business Administration.

### OTHER CURRENT DIRECTORSHIPS

Mr Scroggie currently serves as Chairman of the La Trobe University Graduate School of Management Board, and holds the position of Adjunct Professor in the Faculty of Law and Management at La Trobe; he is also the Chairman of the Storage Networking Industry Association's (SNIA) Board, and Deputy Chairman of the Foundation for IT Sustainability Board. Mr Scroggie is currently a director of Symantec Australia Pty Ltd, PC Tools Technology Pty Ltd, VeriSign Australia Pty Ltd and Messagelabs Australasia Pty Ltd.

### FORMER DIRECTORSHIPS

Nil.

### SPECIAL RESPONSIBILITIES

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

### INTERESTS IN SHARES AND OPTIONS

Mr Scroggie holds 260,714 fully paid ordinary shares and 250,000 unlisted options.



## MR BEVAN SLATTERY

Chief Executive Officer

### EXPERIENCE AND EXPERTISE

Mr Bevan Slattery is the founder and Chief Executive Officer of NEXTDC. He comes from a background in building successful Australian IT and telecommunication companies and an earlier career in administration in local and state government.

Prior to establishing NEXTDC, Mr Slattery was co-founder and director of PIPE Networks Limited and iSeek Communications Pty Ltd. PIPE Networks Limited is one of Australia's leading telecommunications infrastructure providers. It was listed on the ASX in May 2005 raising \$3.5 million at 40 cents per share, and was acquired by TPG Telecom Limited in March 2010 for \$6.30 per share, valuing the equity at \$373 million.

Mr Slattery was awarded "Young Entrepreneur of the Year" in the Northern Region finals of the 2006 Ernst & Young Entrepreneur of the Year awards. In August 2009, Mr Slattery was awarded the ACOMM Australian Telecommunications Ambassador of the Year Award in recognition of his contribution as a visionary in the telecommunications industry and his personal quest to advance Australia's access to technology and promote progress in the telecommunications industry.

In March 2010, Mr Slattery was also awarded the ATUG's Charles Todd Medal for his contribution to the Australian telecommunications marketplace including the construction of the \$200 million PPC-1 submarine cable system connecting Sydney to Guam.

Mr Slattery holds a Masters in Business Administration from Central Queensland University.

Mr Slattery holds a Masters in Business Administration from Central Queensland University.

### OTHER CURRENT DIRECTORSHIPS

Nil.

### FORMER DIRECTORSHIPS

Previously, Mr Slattery was a director at PIPE Networks Limited and iSeek Communications Pty Ltd.

### SPECIAL RESPONSIBILITIES

- Chief Executive Officer

### INTERESTS IN SHARES AND OPTIONS

Mr Slattery holds 40,010,714 ordinary shares in NEXTDC Limited and no options.



## MR ROBIN KHUDA

Chief Financial Officer, Company Secretary

### EXPERIENCE AND EXPERTISE

Mr Robin Khuda is the Chief Financial Officer and Company Secretary of NEXTDC and is responsible for the Company's finance and administration, company secretarial, investor relations and corporate strategy functions.

Mr Khuda brings experience and success in managing large and high growth IT & telecommunications companies. Prior to joining NEXTDC, Mr Khuda was the Group Chief Financial Officer with PIPE Networks Limited where he played a key role in the \$373 million merger between PIPE Networks Limited and TPG Telecom Limited.

He has also held senior financial, commercial and operational positions with Fujitsu Australia and New Zealand, SingTel Optus and Cheung Kong Communications Group.

Mr Khuda is a Certified Practising Accountant with a Bachelor of Business in Accounting from the University of Technology Sydney, Australia and an MBA in Finance from the Manchester Business School, UK. He is a Member of the Australian Institute of Company Directors and the Australian Institute of Management.

Mr Khuda has undertaken senior executive programs at the Harvard Business School, USA and the Wharton School, USA specialising in Corporate Strategy and Mergers & Acquisitions.

### OTHER CURRENT DIRECTORSHIPS

Nil.

### FORMER DIRECTORSHIPS

Nil.

### SPECIAL RESPONSIBILITIES

- Chief Financial Officer
- Chief Commercial Officer
- Company Secretary

### INTERESTS IN SHARES AND OPTIONS

Mr Khuda holds 194,286 fully paid ordinary shares in NEXTDC Limited and 1,000,000 unlisted options.

## COMPANY SECRETARY

The company secretary is Mr Robin Khuda.

## MEETINGS OF DIRECTORS

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

	MEETINGS OF COMMITTEES					
	FULL MEETINGS OF DIRECTORS		AUDIT AND RISK MANAGEMENT		REMUNERATION AND NOMINATIONS	
	A	B	A	B	A	B
<b>Mr Roger Clarke</b>	11	12	1	1	1	1
<b>Mr Ted Pretty</b>	4	4	-	-	1	1
<b>Mr Greg Baynton</b>	12	12	1	1	1	1
<b>Mr Craig Scroggie</b>	9	9	1	1	1	1
<b>Mr Bevan Slattery</b>	12	12	**	**	**	**
<b>Mr Robin Khuda</b>	12	12	**	**	**	**

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

\*\* Not a member of the relevant committee

## INSURANCE OF OFFICERS

During the period, NEXTDC Limited paid a premium of \$19,093 to insure the directors and officers of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

## NON-AUDIT SERVICES

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

Details of the amounts paid or payable to the auditor for non audit services provided during the period are set out below.

The board of directors has considered the position and, in accordance with advice received from the audit and remuneration committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

	2011 \$
PWC AUSTRALIA	
(i) Taxation Services	
Tax compliance services	25,800
(ii) Other services	
Accounting services rendered relating to the IPO	40,238
Agreed-upon procedures engagement	3,000
<b>Total Remuneration of PwC Australia Non-Audit Services</b>	<b>69,038</b>

## 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 29.

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## 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.



**Bevan Slattery**  
Chief Executive Officer  
NEXTDC Limited

Brisbane  
26 August 2011

# REMUNERATION REPORT

This remuneration report sets out remuneration information for NEXTDC Limited's non-executive directors, executive directors, other key management personnel and the five highest remunerated executives of the Company.

## DIRECTORS AND EXECUTIVES DISCLOSED IN THIS REPORT

NON-EXECUTIVE AND EXECUTIVE DIRECTORS	
See pages 18 to 20.	
OTHER KEY MANAGEMENT PERSONNEL	
NAME	POSITION
Mr Gordon Paddy	Data Centre Development, General Manager
Mr John Turner	Project Manager
Ms Jacqueline Keller	General Counsel

## OTHER PERSONS WHO ARE AMONG THE 5 HIGHEST PAID REMUNERATED GROUP AND/OR COMPANY EXECUTIVE

Nil

## CHANGES SINCE THE END OF THE REPORTING PERIOD

There have been no changes since the end of the reporting period.

## ROLE OF THE REMUNERATION AND NOMINATIONS COMMITTEE

The purpose of this committee is to assist the board and make recommendations to it in relation to remuneration packages of senior executives, non-executive directors and executive directors, as well as equity-based incentive plans, appointment of new directors (both executive and non-executive) and senior management.

The objective of the committee is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

The Corporate Governance Statement provides further information on the role of this committee.

## PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

### NON-EXECUTIVE DIRECTORS

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Non-executive directors do not receive performance based pay. However, to promote further alignment with shareholders, the board has resolved to provide share options.

### DIRECTORS' FEES

The current base fees were set in November 2010 and were last reviewed on 1 July 2011 with no change. A director's membership in a committee does not attract any additional fees.

The current base fees per annum are:

	FROM NOV 2010 BASE FEES
Chairman	\$70,000
Other non-executive directors	\$60,000

## EXECUTIVE PAY

The objective of the Company's executive pay and reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive pay and reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice for delivery of reward. The board ensures that executive pay and reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards and recognition for contribution.

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation
- short-term performance incentives, and
- long-term incentives through participation in the NEXTDC Limited Executive Share Option Plan.

The combination of these comprises an executive's total remuneration. The Company intends to conduct a review of the incentive plans during the year ending 30 June 2012 to ensure continued alignment with financial and strategic objectives.

## BASE PAY AND BENEFITS

Generally, base pay and benefits are structured as a total employment cost package which may be delivered as a combination of cash and prescribed non financial benefits at the executive's discretion. Executives are offered a competitive base pay that comprises the fixed component of pay and reward. There are no guaranteed base pay increases included in any executive contracts.

## SUPERANNUATION

Superannuation is paid to the executive's nominated superannuation fund.

## SHORT-TERM INCENTIVES

Given that the Company is still in its start-up phase, no short-term incentives have been agreed with executives. However the Board at its discretion may pay short-term incentives in line with various development milestones.

## LONG-TERM INCENTIVES

Long-term incentives are provided to certain employees via the NEXTDC Limited Executive Share Option Plan which was approved by shareholders at the Initial Public Offering.

The NEXTDC Limited Executive Share Option Plan is designed to provide long-term incentives for executives to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if the participants are still employed by the Company at the end of the vesting period. Participation in the plan is at the board's discretion. The only vesting condition of the Executive Share Option Plan is the service period condition outlined above.

Long term incentives are determined by the Remuneration and Nominations Committee and are determined on a discretionary basis due to the start-up nature of the Company.

## PERFORMANCE OF NEXTDC LIMITED

Given the Company was only incorporated in May 2010 and is still in its start-up phase, it is not possible to provide any performance reports in this annual report.

## DETAILS OF REMUNERATION

Details of the remuneration of non-executive directors, executive directors, the key management personnel of the Company (as defined in AASB 124 Related Party Disclosures) and the five highest paid executives of NEXTDC Limited are set out in the following tables.

### KEY MANAGEMENT PERSONNEL OF THE COMPANY AND OTHER EXECUTIVES OF THE COMPANY

NAME	SHORT-TERM EMPLOYEE BENEFITS			POST EMPLOY BENEFITS	LONG TERM BENEFITS	TERMINATION BENEFITS	SHARE BASED PAYMENTS	TOTAL
	CASH SALARY AND FEES	CASH BONUS	NON-MONETARY BENEFITS	SUPER	LONG SERVICE LEAVE <sup>^</sup>		OPTIONS	
	\$	\$	\$	\$	\$	\$	\$	\$
NON-EXECUTIVE DIRECTORS								
Mr Roger Clarke	42,814	-	-	3,853	-	-	33,758	80,425
Mr Greg Baynton	36,697	-	-	3,303	-	-	33,758	73,758
Mr Craig Scroggie	36,697	-	-	3,303	-	-	33,758	73,758
<b>Sub total non-executive directors</b>	<b>116,208</b>	<b>-</b>	<b>-</b>	<b>10,459</b>	<b>-</b>	<b>-</b>	<b>101,274</b>	<b>227,941</b>
EXECUTIVE DIRECTORS								
Mr Bevan Slattery (from 18/10/2010) <sup>^</sup>	161,537	-	-	14,538	-	-	-	176,075
Robin Khuda <sup>^</sup>	192,660	16,055	-	18,784	-	-	91,079	318,578
Mr Ted Pretty (from 01/04/2011)	22,936	-	-	2,064	-	-	39,233	64,233
OTHER KEY MANAGEMENT PERSONNEL								
Mr Gordon Paddy (from 01/02/2011) <sup>^</sup>	91,743	13,761	-	9,495	-	-	27,006	142,005
Mr John Turner (from 24/05/2011) <sup>^</sup>	19,236	-	-	1,731	-	-	-	20,967
Ms Jacqueline Keller (from 03/02/2011) <sup>^</sup>	52,752	18,349	-	6,399	-	-	-	77,500
<b>Total key management personnel compensation</b>	<b>657,072</b>	<b>48,165</b>	<b>-</b>	<b>63,470</b>	<b>-</b>	<b>-</b>	<b>258,592</b>	<b>1,027,299</b>

<sup>^</sup> denotes one of the 5 highest paid executives of the Company as required to be disclosed under the Corporations Act 2001.

The relative proportions of remuneration that are fixed and those that are linked to performance are as follows:

NAME	FIXED REMUNERATION	AT-RISK	
		SHORT-TERM	LONG-TERM
	2011	2011	2011
NON-EXECUTIVE DIRECTORS			
Mr Roger Clarke	58%	42%	0%
Mr Greg Baynton	54%	46%	0%
Mr Craig Scroggie	54%	46%	0%
EXECUTIVE DIRECTORS			
Mr Ted Pretty (from 01/04/2011)	39%	46%	15%
Mr Bevan Slattery (from 18/10/2010)	100%	0%	0%
Mr Robin Khuda	71%	29%	0%
OTHER KEY MANAGEMENT PERSONNEL			
Mr Gordon Paddy (from 01/02/2011)	81%	19%	0%
Mr John Turner (from 24/05/2011)	100%	0%	0%
Ms Jacqueline Keller (from 03/02/2011)	100%	0%	0%

#### SERVICE AGREEMENTS

On appointment to the board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the office of director. A summary of the information is as follows:

NAME	DURATION OF CONTRACT	NOTICE PERIOD FOR TERMINATION	TERMINATION PAYMENTS
Mr Roger Clarke	3 years	Nil	Nil <sup>#</sup>
Mr Greg Baynton	3 years	Nil	Nil <sup>#</sup>
Mr Craig Scroggie	3 years	Nil	Nil <sup>#</sup>

<sup>#</sup> Upon termination of a director's appointment, the director will be paid his or her director's fees on a pro-rata basis, to the extent that they are unpaid, up to the date of termination.

Remuneration and other terms of employment for the chief executive officer, chief financial officer and the other key management personnel are also formalised in service agreements. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated early by either party with three months' notice, subject to termination payments as detailed below.

NAME	TERM OF AGREEMENT	BASE SALARY INCLUDING SUPERANNUATION*	TERMINATION BENEFIT
Mr Bevan Slattery, Chief Executive Officer	6 years, ending 31 December 2016	\$250,000	Nil
Mr Robin Khuda, Chief Financial Officer <sup>^</sup>	6 years, ending 31 December 2016	\$210,000	Nil
Mr Ted Pretty, Executive Deputy Chairman	On-going commencing 1 April 2011	\$100,000	Nil

\* Base salaries quoted are for the year 30 June 2011; they are reviewed annually by the Remuneration and Nominations Committee.

<sup>^</sup> Mr Robin Khuda received a sign on payment of \$17,500 (including superannuation) for his work in establishing the NEXTDC business; it was paid on 25 July 2010 and included in the remuneration disclosure.

## SHARE-BASED COMPENSATION

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

GRANT DATE	VESTING AND EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	PERFORMANCE ACHIEVED	% VESTED
13 Dec 2010	13 Dec 2011	13 Dec 2012	\$1.00	22.12¢	Not applicable	0%
13 Dec 2010	13 Dec 2011	13 Dec 2012	\$1.50	7.72¢	Not applicable	0%
27 April 2011	27 April 2012	27 April 2013	\$1.40	43¢	Not applicable	0%
27 April 2011	27 April 2013	27 April 2014	\$1.40	34¢	Not applicable	0%

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

The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

Details of options over ordinary shares in the Company provided as remuneration to each director of the Company and each of the key management personnel of the Company are set out below. When exercisable, each option is convertible into one ordinary share of NEXTDC Limited. Further information on the options is set out in note 29.

NAME	NUMBER OF OPTIONS GRANTED DURING THE PERIOD	VALUE OF OPTIONS AT GRANT DATE*	NUMBER OF OPTIONS VESTED DURING THE PERIOD	NUMBER OF OPTIONS LAPSED DURING THE PERIOD	VALUE AT LAPSE DATE**
DIRECTORS					
Mr Roger Clarke	250,000	\$55,300	-	-	N/A
Mr Ted Pretty	750,000	\$277,500	-	-	N/A
Mr Greg Baynton	250,000	\$55,300	-	-	N/A
Mr Craig Scroggie	250,000	\$55,300	-	-	N/A
Mr Robin Khuda	1,000,000	\$149,200	-	-	N/A
Mr Bevan Slattery	-	-	-	-	N/A
OTHER KEY MANAGEMENT PERSONNEL OF THE COMPANY					
Mr Gordon Paddy	200,000	\$44,240	-	-	N/A
Mr John Turner	-	-	-	-	-
Ms Jacqueline Keller	-	-	-	-	-

\* The value at grant date (calculated in accordance with AASB 2 Share based Payments) of options granted during the period as part of remuneration.

\*\* The value at lapse date of options (calculated in accordance with AASB 2 Share-based Payments) that were granted as part of remuneration and that lapsed during the period because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied. No options lapsed during the period.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

## SHARES PROVIDED ON EXERCISE OF REMUNERATION OPTIONS

As no options vested during the period, no options were exercised.

It should be noted that the options provided to Mr Roger Clarke (250,000 options), Mr Greg Baynton (250,000 options), Mr Craig Scroggie (250,000 options) and Mr Robin Khuda (1,000,000 options), if converted to ordinary shares by exercising, will be restricted from trading by ASX until 13 December 2012.

## LOANS TO DIRECTORS AND EXECUTIVES

No loans were made to directors or key management personnel at any time during the period or after period-end.

## SHARES UNDER OPTION

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

DATE OPTIONS GRANTED	EXPIRY DATE	ISSUE PRICE OF SHARES	NUMBER UNDER OPTION
13 December 2010	13 December 2012	\$1.00	1,500,000
13 December 2010	13 December 2012	\$1.50	500,000
27 April 2011	27 April 2013	\$1.40	500,000
27 April 2011	27 April 2014	\$1.40	250,000
<b>TOTAL</b>			<b>2,750,000</b>

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

## DETAILS OF REMUNERATION: BONUSES AND SHARE BASED COMPENSATION BENEFITS

For each cash bonus and grant of options included in the tables on page 25, the percentage of the available bonus or grant that was paid, or that vested, in the period, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below.

The options vest after one year. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

NAME	BONUS		SHARE BASED COMPENSATION BENEFITS (OPTIONS)				
	PAID	FORFEITED	YEAR GRANTED	VESTED	FORFEITED	FINANCIAL PERIODS IN WHICH OPTIONS MAY VEST	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST
	%	%	FY	%	%		\$
Mr Roger Clarke	-	-	2011	-	-	30/06/2012	\$25,150
Mr Ted Pretty	-	-	2011	-	-	30/06/2012	\$140,658
	-	-	2011	-	-	30/06/2013	\$98,223
Mr Greg Baynton	-	-	2011	-	-	30/06/2012	\$25,150
Mr Craig Scroggie	-	-	2011	-	-	30/06/2012	\$25,150
Mr Bevan Slattery	-	-	-	-	-	N/A	-
Mr Robin Khuda <sup>^</sup>	100%	-	2011	-	-	30/06/2012	\$50,300
	-	-	2011	-	-	30/06/2012	\$17,555
OTHER KEY MANAGEMENT PERSONNEL							
Mr Gordon Paddy <sup>#</sup>	100%	-	2011	-	-	30/06/2012	\$20,120
Mr John Turner <sup>#</sup>	-	-	-	-	-	-	-
Ms Jacqueline Keller	100%	-	-	-	-	-	-

<sup>^</sup> Mr Robin Khuda received a sign on payment of \$17,500 (including superannuation) for his work in establishing NEXTDC business. It was paid on 25 July 2010 and included in the remuneration disclosure above.

<sup>#</sup> Mr Gordon received a sign on payment of \$15,000 (including superannuation) which was included in the remuneration disclosure above.

# AUDITOR'S INDEPENDENCE DECLARATION



## Auditor's Independence Declaration

As lead auditor for the audit of NEXTDC Limited for the period 11 May 2010 to 30 June 2011, 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.

A handwritten signature in black ink, appearing to read 'Trevor Mahony', with a long, sweeping horizontal stroke at the end.

Trevor Mahony  
Partner  
PricewaterhouseCoopers

Brisbane  
26 August 2011

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# CORPORATE GOVERNANCE STATEMENT

PRINCIPLE	COMPLIED	NOTE
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>		
(i) Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	✓	“Board Charter” available on NEXTDC’s website.
(ii) Companies should disclose the process for evaluating the performance of senior executives.	✗	Given the start-up nature of the Company, the performance evaluation processes have not yet been finalised.
(iii) Companies should provide the information indicated in the Guide to reporting on Principle 1.	✓	Refer to the summary following this table.
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>		
(i) A majority of the board should be independent directors.	✓	Four of six board members are independent directors.
(ii) The chair should be an independent director.	✓	Mr Roger Clarke, the Chairman, is an independent director.
(iii) The roles of chair and chief executive officer should not be exercised by the same individual.	✓	The role of Chair is exercised by Mr Roger Clarke. The role of Chief Executive Officer is exercised by Mr Bevan Slattery.
(iv) The board should establish a nomination committee.	✓	The board has established a Remuneration and Nominations Committee.
(v) Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✗	Given the start-up nature of the Company, the performance evaluation processes have not yet been finalised.
(vi) Companies should provide the information indicated in the Guide to reporting on Principle 2.	✓	Refer to summary following this table.
<b>PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING</b>		
(i) Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>▪ the practices necessary to maintain confidence in the Company’s integrity</li> <li>▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	✓	The Board has adopted a Code of Conduct which is available at the Company website.
(ii) Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	✓	The Board has established a Securities Trading Policy which is available at the NEXTDC website.
(iii) Companies should provide the information indicated in the Guide to reporting on Principle 3.	✓	Refer to summary following this table.
<b>PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING</b>		
(i) The board should establish an audit committee	✓	An Audit and Risk Management Committee has been established. Refer to the Directors’ Report
(ii) The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>▪ consists only of non-executive directors</li> <li>▪ consists of a majority of independent directors</li> <li>▪ is chaired by an independent chair, who is not chair of the board</li> <li>▪ have at least three members.</li> </ul>	✓	The Audit and Risk Management Committee satisfies all of these criteria: <ul style="list-style-type: none"> <li>▪ It consists only non-executive directors</li> <li>▪ It consists a majority of independent directors</li> <li>▪ It is chaired by Mr Craig Scroggie, an independent director who is not chair of the board</li> <li>▪ It has three members</li> </ul>
(iii) The audit committee should have a formal charter	✓	The Charter is available at the Company’s website.
(iv) Companies should provide the information indicated in the Guide to reporting on Principle 4.	✓	Refer to summary following this table.

PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE		
(i) Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	✔	The Company has developed a Continuous Disclosure Policy which is available at the Company's website.
(ii) Companies should provide the information indicated in the Guide to reporting on Principle 5.	✔	Refer to summary following this table.
PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS		
(i) Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	✔	The Continuous Disclosure Policy has been designed to promote effective communication with shareholders. A copy of this policy is available at the Company's website.  In addition, NEXTDC regularly updates its website including the NEXTDC blog ( <a href="http://www.nextdc.com/blog">www.nextdc.com/blog</a> ). This blog is updated at least once a week and allows for public comment and feedback.
(ii) Companies should provide the information indicated in the Guide to reporting on Principle 6.	✔	Refer to the summary following this table.
PRINCIPLE 7- RECOGNISE AND MANAGE RISK		
(i) Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✔	The board has established an Audit and Risk Management Committee.
(ii) The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	✔	The board, which delegates risk management to The Audit and Risk Management Committee, relies on the expertise of management and external professionals.
(iii) The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✔	The board has received assurance from the CEO and CFO in full regarding the declaration provided in accordance with s295A of the Corporations Act.
(iv) Companies should provide the information indicated in the Guide to reporting on Principle 7.	✔	Refer to the summary following this table.
PRINCIPLE 8- REMUNERATE FAIRLY AND RESPONSIBLY		
(i) The board should establish a remuneration committee.	✔	The board has established a Remuneration and Nominations Committee.
(ii) Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✔	Non-executive director remuneration has been distinguished separately from executive directors and senior executives. Refer to the Remuneration Report.
(iii) Companies should provide the information indicated in the Guide to reporting on Principle 8.	✔	Refer to the summary following this table.

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

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

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

The Board's broad function is to:

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

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

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

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the CEO and CFO. Given that the Company is still in its start-up phase a performance assessment for senior executives has not yet taken place.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The board operates in accordance with the broad principles set out in its charter which is available from the corporate governance information section of the Company's website at [www.NEXTDC.com](http://www.NEXTDC.com). The charter details the board's composition and responsibilities.

## BOARD COMPOSITION

The charter states:

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

The board seeks to ensure that:

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

## DIRECTORS' INDEPENDENCE

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

- (i) is not a substantial shareholder of the Company (i.e. is not a person who in conjunction with an associate holds a relevant interest in 5% or more of the shares of the Company) or an officer of, or otherwise associated directly with, a substantial
- (ii) within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment; or
- (iii) within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided. A material professional adviser is the Company's auditor (regardless of the fees paid to the auditor) and any other advisor to whom fees in excess of \$100,000 have been paid in any financial year in the relevant three year period; or
- (iv) has no material contractual relationship with the Company or another group member other than as a director of the Company, including as a supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer. From a director's perspective, a director has a material contractual relationship if the fees paid by the Company to the director or an entity associated with the director, exceed 5% of the fees received by the director or their firm or 10% of all fees supervised by the director (or for which the director is otherwise given credit in a performance review) within the entity associated with the director in any financial year in the relevant three year period. From the Company's perspective, a director has a material contractual relationship if goods or services supplied by the director to the Company exceed 5% of the direct operating costs of the Company for any year in the relevant three year period; or

- (v) has not served on the board for a period in excess of ten years; or
- (vi) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

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

In fulfilling their duties, and to ensure independent decision-making, each director may take independent professional advice where necessary at the expense of the Company. Prior to obtaining independent professional advice, a director must inform the Chairman that they wish to obtain the advice as well as the anticipated cost of the advice, the budget for the advice must then be approved by the Chairman (which approval will not be unreasonably withheld) before the cost is incurred.

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

#### BOARD MEMBERS

Details of the members of the board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the directors' report under the heading "Information on directors". At the date of signing the director's report, there are three executive directors and three non-executive directors, all of whom have no relationships adversely affecting independence and so are deemed independent under the principles set out above.

#### NON-EXECUTIVE DIRECTORS

The three non-executive directors met once during the period, in a scheduled session to discuss the operation of the board and a range of other matters. Relevant matters arising from these meetings were shared with the full board.

#### CHAIR AND CHIEF EXECUTIVE OFFICER (CEO)

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

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

#### INDUCTION

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

#### COMMITMENT

The board held twelve board meetings during the period.

The number of meetings of the Company's board of directors and of each board committee held during the period ended 30 June 2011, and the number of meetings attended by each director is disclosed on page 21.

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior written approval of the board. No appointments of this nature were accepted during the period ended 30 June 2011.

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

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

#### CONFLICT OF INTERESTS

There were no conflicts of interests during the period or up to the date of the report.

#### INDEPENDENT PROFESSIONAL ADVICE

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

#### PERFORMANCE ASSESSMENT

Given the start-up nature of the Company, there has been no requirement for the board to undertake an annual self-assessment of its collective performance.

#### BOARD COMMITTEES

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

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

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

## REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee consists of the following directors (all of whom are independent):

- Mr Greg Baynton (Chair)
- Mr Roger Clarke
- Mr Ted Pretty (appointed 1 April 2011)
- Mr Craig Scroggie (appointed 1 November 2010)

Details of these directors' attendance at Remuneration and Nominations Committee meetings are set out in the directors' report on page 21.

The Remuneration and Nominations Committee operates in accordance with its charter which is available on the Company's website.

The main responsibilities of the committee are to:

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

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

## PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

### CODE OF CONDUCT

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

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

The purchase and sale of company securities by directors and employees is only permitted during the thirty day period following the release of the half yearly and annual financial results to the market. Any transactions undertaken must be notified to the company secretary in advance.

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

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

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

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

### AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee consists of the following directors:

- Mr Craig Scroggie (Chair) (appointed 1 November 2010)
- Mr Roger Clarke
- Mr Greg Baynton

Details of these directors' qualifications and attendance at audit committee meetings are set out in the directors' report on page 17.

All members of the Audit and Risk Management Committee are financially literate and have an appropriate understanding of the industry in which the Company operates. The audit committee operates in accordance with a charter which is available on the Company's website. The main responsibilities of the committee are to:

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

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

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

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

#### EXTERNAL AUDITORS

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

An analysis of fees paid to the external auditors, including a break down of fees for non-audit services, is provided in the directors' report and in note 23 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

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

### PRINCIPLES 5 AND 6: MAKE TIMELY AND BALANCED DISCLOSURES AND RESPECT THE RIGHTS OF SHAREHOLDERS

#### CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

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

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

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

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

All shareholders receive a copy of the Company's annual reports. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all company announcements, media briefings, details of company meetings, press releases and financial statements available on the Company's website.

Where possible, the Company arranges for advance notification of significant group briefings (including, but not limited to, results announcements) and makes them widely accessible, including through the use of other mass communication mechanisms as may be practical.

### PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

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

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

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

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

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

#### CORPORATE REPORTING

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

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

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

### REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee consists of the following directors (all of whom are independent, including the chair):

- Mr Greg Baynton (Chair)
- Mr Ted Pretty (appointed 1 April 2011)
- Mr Roger Clarke
- Mr Craig Scroggie (appointed 1 November 2010)

Details of these directors' attendance at remuneration and nominations committee meetings are set out in the directors' report on page 21.

The remuneration and nominations committee operates in accordance with its charter which is available on the Company's website. The remuneration and nominations committee advises the board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

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

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

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



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# STATEMENT OF COMPREHENSIVE INCOME

	NOTE	11 MAY 2010 TO 30 JUNE 2011
<b>REVENUE</b>		
Data centre revenue	5	\$ -
Interest revenue		1,771,827
Other income	6	223,298
<b>Total Revenue</b>		<b>1,995,125</b>
<b>EXPENSES</b>		
Employee benefits expense		(1,498,662)
Depreciation and amortisation expense	7	(667,911)
Professional legal and consultancy fees		(364,322)
Property maintenance expenses		(253,053)
Marketing, advertising and entertainment		(318,645)
Accounting and audit fees		(66,285)
Finance costs		(12,481)
Other expenses	7	(427,351)
<b>Total Expenses</b>		<b>(3,608,710)</b>
<b>PROFIT / (LOSS) BEFORE INCOME TAX</b>		<b>(1,613,585)</b>
Income tax credit / (expense)	8	(60,824)
Profit / (loss) from continuing operations		(1,674,409)
<b>PROFIT / (LOSS) FOR THE PERIOD AFTER TAX</b>		<b>(1,674,409)</b>
Profit / (loss) is attributable to:		
Owners of NEXTDC Limited		<b>(1,674,409)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Gain on revaluation of land and buildings		-
<b>Total comprehensive income / (loss) for the period</b>		<b>(1,674,409)</b>
Total comprehensive income for the period is attributable to:		
<b>Owners of NEXTDC Limited</b>		<b>(1,674,409)</b>
<b>EARNINGS / (LOSSES) PER SHARE FOR PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		
Basic earnings / (losses) per share	28	(3.46)
Diluted earnings / (losses) per share	28	(3.46)
<b>EARNINGS / (LOSSES) PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		
Basic earnings / (losses) per share	28	(3.46)
Diluted earnings / (losses) per share	28	(3.46)

# BALANCE SHEET

As at 30 June 2011

	NOTE	30 JUNE 2011 \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	9	62,097,783
Trade and other receivables	10	1,687,745
Other current assets	11	136,081
<b>Total Current Assets</b>		<b>63,921,609</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	12	25,795,190
Capital work in progress	13	20,832,886
Intangible assets		26,336
Deferred tax assets	14	802,871
<b>Total Non-Current Assets</b>		<b>47,457,283</b>
<b>TOTAL ASSETS</b>		<b>111,378,892</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	15	6,556,255
Current tax liabilities		-
<b>Total Current Liabilities</b>		<b>6,556,255</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	16	-
Provisions	17	20,833
<b>Total Non-Current Liabilities</b>		<b>20,833</b>
<b>TOTAL LIABILITIES</b>		<b>6,577,088</b>
<b>NET ASSETS</b>		<b>104,801,804</b>
<b>EQUITY</b>		
Contributed equity	18	106,212,362
Reserves	19	263,851
Retained earnings / (accumulated losses)	20	(1,674,409)
<b>TOTAL EQUITY</b>		<b>104,801,804</b>

# STATEMENT OF CHANGES IN EQUITY

For the period 11 May 2010 to 30 June 2011

		CONTRIBUTED EQUITY	RESERVES	RETAINED EARNINGS	TOTAL
	NOTE	\$	\$	\$	\$
Balance at 11 May 2010	18	100	-	-	100
Retained earnings / (accumulated losses)		-	-	(1,674,409)	(1,674,409)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:					
Contributions of equity, net of transaction costs and tax	18	106,212,262	-	-	106,212,262
Dividends provided for or paid	21	-	-	-	-
Executive Share Options	29	-	263,851	-	263,851
<b>Balance at 30 June 2011</b>		<b>106,212,362</b>	<b>263,851</b>	<b>(1,674,409)</b>	<b>104,801,804</b>

# STATEMENT OF CASH FLOWS

	NOTE	11 MAY 2010 TO 30 JUNE 2011 \$
OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)		-
Payments to suppliers and employees (inclusive of GST)		(2,390,730)
<b>Net operating cash receipts / (payments)</b>		<b>(2,390,730)</b>
Other receipts		
Other receipts		244,739
Interest paid		(12,481)
Interest received		1,412,497
Income taxes paid		-
<b>Net Cash Inflow (Outflow) From Operating Activities</b>	<b>27</b>	<b>(745,975)</b>
INVESTING ACTIVITIES		
Payments for property, plant and equipment including Capital WIP		(42,443,301)
Payments to acquire intangible assets		(26,336)
<b>Net Cash Inflow (Outflow) From Investing Activities</b>		<b>(42,469,637)</b>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of shares, net of costs		105,383,395
Payments to establish bank financing facility		(70,000)
<b>Net Cash Inflow (Outflow) From Financing Activities</b>		<b>105,313,395</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>62,097,783</b>
Cash and Cash Equivalents at the Beginning of the period		-
<b>Cash and Cash Equivalents at the End of the period</b>	<b>9</b>	<b>62,097,783</b>

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## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated. The financial statements are for the entity consisting of NEXTDC Limited ("the Company"). NEXTDC is a public company limited by shares, incorporated and domiciled in Australia.

### (A) BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

#### (i) Compliance with IFRS

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

#### (ii) Historical cost convention

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

#### (iii) Critical accounting estimates

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

### (B) REPORTING PERIOD AND COMPARATIVE INFORMATION

These financial statements are the first set of full-year financial statements prepared by the Company and cover the period 11 May 2010 to 30 June 2011. Consequently, comparative information is not available for any prior periods.

It should be noted that this reporting period is longer than the standard 12 month period. Future financial reports will be for a 12 month period ending on 30 June.

### (C) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to executive directors. The executive directors are responsible for allocating resources and assessing performance of the operating segments.

### (D) REVENUE RECOGNITION

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

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

Revenue is recognised for the major business activities as follows:

#### (i) Data centre services

Revenue is recognised only when the service has been provided, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

#### (ii) Interest income

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

### (E) 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 substantively 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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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 entity 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.

#### (F) CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts, if applicable, are shown within borrowings in current liabilities in the balance sheet.

#### (G) TRADE RECEIVABLES

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

#### (H) INVESTMENTS AND OTHER FINANCIAL ASSETS

##### **Classification**

The Company only holds loans and receivables.

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

##### **Measurement**

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

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

##### **Impairment**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

##### (i) Assets carried at amortised cost

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

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

#### (I) PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

<b>Buildings</b>	40 years
<b>Plant and equipment</b>	10-15 years
<b>Hardware and software</b>	1-3 years
<b>Furniture, fittings and equipment</b>	5 10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

#### (J) CAPITAL WORK-IN-PROGRESS

Capital work-in-progress is 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 classified as work-in-progress are not depreciated.

Items in capital work-in-progress are transferred to property, plant and equipment upon successful testing and commissioning.

#### (K) INTANGIBLE ASSETS

Trademarks and licences

The trademarks and licences that NEXTDC possess have an indefinite useful life are carried at cost.

#### (L) LEASES

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

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

Lease income from operating leases where the Company is a lessor is recognised in income on a straight line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

#### (M) IMPAIRMENT OF ASSETS

Goodwill and 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.

#### (N) TRADE AND OTHER PAYABLES

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

#### (O) PROVISIONS

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The discount rate used to determine the present value is a 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.

## (P) EMPLOYEE BENEFITS

### (i) Short term obligations

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

### (ii) Other long term employee benefit obligations

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

### (iii) Retirement benefit obligations

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

### (iv) Share based payments

Share based compensation benefits are provided to employees via the NEXTDC Limited Executive Share Option Plan.

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

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

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

## (Q) CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

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

## (R) DIVIDENDS

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

## (S) EARNINGS PER SHARE

### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (note 28).

### (ii) Diluted earnings per share

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

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

## (T) GOODS AND SERVICES TAX (GST)

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

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

## (U) ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## (V) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)  
AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Company has not yet decided when to adopt AASB 9.

- (ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities.

The Company will apply the amended standard from 1 July 2011. However, there will be no impact on any of the amounts recognised in the financial statements.

- (iii) AASB 2009-14 Amendments to Australian Interpretation Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.

The Company does not have a defined benefit fund. The amendment is therefore not expected to have any impact on the Company's financial statements. The Company intends to apply the amendment from 1 July 2011.

- (iv) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two tier differential reporting regime applies to all entities that prepare general purpose financial statements.

NEXTDC Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

- (v) AASB 2010-6 Amendments to Australian Accounting Standards Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Company's disclosures. The Company intends to apply the amendment from 1 July 2011.

- (vi) AASB 2010-8 Amendments to Australian Accounting Standards Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, which is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Company will apply the amendment from 1 July 2012. The Company does not expect any impact on its financial statements.

## 2 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company'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 Company.

Given the Company's start-up nature, it has only limited trading activities. The Company does not have any borrowings, nor does it trade in foreign currencies. Management assesses the exposure to financial risk as minimal. Consequently, the Company does not have an active financial risk management program in place.

The Company holds the following financial instruments:

	30 JUNE 2011
	\$
<b>FINANCIAL ASSETS</b>	
Cash and cash equivalents	62,097,783
Trade and other receivables	1,687,745
<b>Total financial assets</b>	<b>63,785,528</b>
<b>FINANCIAL LIABILITIES</b>	
Trade and other payables	6,556,255
<b>Total financial liabilities</b>	<b>6,556,255</b>

### (a) Market risk

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

#### (i) Foreign exchange risk

The Company currently only operates in Australia and its purchases are predominantly conducted in Australian dollars. Consequently, management has determined that the Company has little or no exposure to foreign exchange risk. On this basis, the Company does not have any active risk mitigation strategies in relation to foreign exchange risk.

#### (ii) Price risk

The Company is not exposed to equity securities price risk.

#### (iii) Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from its various fixed-rate term deposits. Thus its exposure to interest rate risk as defined in AASB 7 is limited.

#### Sensitivity

At 30 June 2011, if interest rates had increased by 100 or decreased by 100 basis points from the year end rates with all other variables held constant, post tax profit for the period would have been \$232,628 higher/\$232,628 lower, mainly as a result of higher/lower interest income from cash and cash equivalents.

### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk arises from cash and cash equivalents, outstanding receivables and committed transactions.

For banks and financial institutions, only Australian banks or independently rated parties with a minimum rating of 'BBB+' are accepted. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by management. Sales to customers are required to be settled in cash or using major credit cards, mitigating credit risk.

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

CASH AT BANK AND SHORT TERM BANK DEPOSITS	2011 \$
AAA	-
AA	15,717,640
A+	31,223,767
BBB+	15,156,028
<b>TOTAL</b>	<b>62,097,435</b>

In determining the credit quality of these financial assets, NEXTDC has used the long-term rating from Standard & Poor's as of July 2011.

### (C) LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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 and close out market positions.

Given the Company's start-up nature and available cash balances, management assesses liquidity risk to be negligible.

#### Financing arrangements

The Company did not have any financing arrangements in place as at 30 June 2011.

#### Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of each reporting period.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES	WITHIN 12 MONTHS	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT (ASSETS)/ LIABILITIES
Trade payables	6,556,255	-	-	6,556,255	6,556,255
Borrowings	-	-	-	-	-
<b>Total non-derivatives</b>	<b>6,556,255</b>	<b>-</b>	<b>-</b>	<b>6,556,255</b>	<b>6,556,255</b>

### (D) FAIR VALUE MEASUREMENTS

(i) The Company does not carry any financial assets or financial liabilities at fair value.

The fair value of the Company's financial assets and liabilities approximate their carrying value.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

#### Income taxes

The Company is subject to income taxes in Australia. Significant 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 Company estimates its tax liabilities based on the Company'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.

## 4 SEGMENT INFORMATION

### (A) DESCRIPTION OF SEGMENTS

Management considers the business from a geographic perspective and has identified four reportable segments.

### (B) SEGMENT INFORMATION PROVIDED TO MANAGEMENT

The segment information provided to management for the reportable segments for the period ended 30 June 2011 is as follows:

30 JUNE 2011	BRISBANE	MELBOURNE	SYDNEY	PERTH	ALL OTHER SEGMENTS	TOTAL
Data centre segment revenue	-	-	-	-	-	-
Revenue from external customers	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	-	-	-	-	(2,441,169)	<b>(2,441,169)</b>
Depreciation and amortisation	645,181	-	-	-	22,710	<b>667,891</b>
Income tax expense	-	-	-	-	60,824	<b>60,824</b>
<b>Total segment assets</b>	<b>18,666,610</b>	<b>16,301,137</b>	<b>10,685,953</b>	<b>748,040</b>	<b>64,174,281</b>	<b>110,576,021</b>
<b>Total segment liabilities</b>	-	-	-	-	<b>6,577,088</b>	<b>6,685,180</b>

There was no impairment charge or other significant non-cash item recognised in 2011.

### (C) OTHER SEGMENT INFORMATION

#### (i) Segment revenue

As the Company did not earn any data centre revenue during the period, its data centre segment revenues are nil.

Segment revenue reconciles to total revenue from continuing operations as follows:

	NOTE	2011 \$
SEGMENT REVENUE		
Data centre segment revenue	5	-
Interest revenue		1,771,827
Other revenue	6	223,298
<b>Total revenue from continuing operations</b>		<b>1,995,125</b>

The entity is domiciled in Australia. Given that the Company is still in its start-up phase, there is no data centre revenue which can be reported by segment.

#### (ii) Adjusted EBITDA

Management assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of equity settled share based payments and unrealised gains/(losses) on financial instruments. 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 Company.

A reconciliation of adjusted EBITDA / (LBITDA) to operating profit before income tax is provided as follows:

	2011 \$
<b>Adjusted EBITDA / (LBITDA)</b>	<b>(2,441,169)</b>
Interest revenue	1,771,827
Finance costs	(12,481)
Depreciation	(667,911)
Share options granted to directors and employees	(263,851)
Other	-
<b>Profit / (loss) before income tax from continuing operations</b>	<b>(1,613,585)</b>

**(iii) Segment assets**

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Investment in shares (classified as available for sale financial assets, held to maturity investments or other financial assets at fair value through profit or loss) held by the Company are not considered to be segment assets but rather managed by the treasury function.

Reportable segments' assets are reconciled to total assets as follows:

	2011 \$
<b>Segment Assets</b>	<b>110,576,021</b>
Unallocated assets	
Deferred tax assets	802,871
<b>Total Assets as per the Balance Sheet</b>	<b>111,378,892</b>

**(iv) Segment liabilities**

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2011 \$
<b>Segment Liabilities</b>	<b>6,577,088</b>
Unallocated liabilities	
Deferred tax liabilities	-
<b>Total Liabilities as per the Balance Sheet</b>	<b>6,577,088</b>

## 5 DATA CENTRE REVENUE

As the Company had not yet completed construction of any of its data centres by 30 June 2011, no data centre revenue was derived during the period 11 May 2010 to 30 June 2011.

## 6 OTHER INCOME

	2011 \$
Rent and related revenue	223,298
<b>Total other income</b>	<b>223,298</b>

Rent and related revenue relates to sundry income which was derived on acquisition of the Brisbane B1 building.

## 7 EXPENSES

Profit before income tax includes the following specific expenses:

	2011 \$
DEPRECIATION INCLUDING DISPOSAL OF ASSETS	
Buildings	7,012
Fixtures and Fittings	52,583
Plant and equipment	582,833
Hardware	14,700
Software	7,597
Office Furniture	3,054
Office Equipment	132
<b>Total Depreciation</b>	<b>667,911</b>
OTHER EXPENSES	
Share registry and ASX listing expenses	92,545
Fees and charges	79,073
Rent expense	72,737
Insurance expense	38,807
FBT expense	31,131
Corporate overhead	113,058
<b>Total other expenses</b>	<b>427,351</b>

## 8 INCOME TAX EXPENSE

(A) INCOME TAX EXPENSE:

	2011 \$
Current Tax	-
Deferred tax	60,824
Adjustments for current tax of prior periods	-
<b>Total</b>	<b>60,824</b>
Income tax expense is attributable to:	
Loss from continuing operations	60,824
<b>Aggregate income tax expense</b>	<b>60,824</b>
Deferred income tax (revenue) expense included in income tax expense comprises:	
Decrease (increase) in deferred tax assets (note 14)	(910,963)
(Decrease) increase in deferred tax liabilities (note 16)	108,092
Deferred tax charged to equity	863,695
<b>Total</b>	<b>60,824</b>

(B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	2011 \$
Profit / (loss) from continuing operations before income tax expense	(1,613,585)
Tax expense / (credit) at the Australian tax rate of 30%	(484,076)
TAX EFFECT OF AMOUNTS WHICH ARE NOT DEDUCTIBLE (TAXABLE) IN CALCULATING TAXABLE INCOME:	
Non-deductible Entertainment	28,009
Share based payments	79,155
Other non-deductible items	34,729
Unused tax losses for which no deferred tax asset has been recognised (note d)	403,007
<b>Income tax expense</b>	<b>60,824</b>

(C) AMOUNTS RECOGNISED DIRECTLY IN EQUITY

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:	
Current tax credited directly to equity	863,695
Net deferred tax debited (credited) directly to equity	

(D) TAX LOSSES

Unused tax losses for which no deferred tax asset has been recognised	1,343,357
Potential tax benefit @ 30%	403,007

## 9 CASH AND CASH EQUIVALENTS

	2011 \$
Cash at bank and in hand	5,563,646
Deposits at call	56,534,137
<b>Total cash and cash equivalents</b>	<b>62,097,783</b>

(A) RISK EXPOSURE

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

(B) NOT AVAILABLE FOR USE

Of the cash in short-term deposits, \$100,000 is not available for use due to bank guarantee obligations in relation to the Company's commitments to suppliers.

## 10 TRADE AND OTHER RECEIVABLES

	NOTE	2011 \$
Trade receivables		-
Interest receivable	(a)	360,219
GST receivable		1,327,526
<b>Total trade and other receivables</b>		<b>1,687,745</b>

### (A) 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 (refer to note 2(b)).

### (B) FAIR VALUE AND CREDIT RISK

The Company does not carry any financial assets or liabilities at fair value.

## 11 OTHER CURRENT ASSETS

	2011 \$
Prepayments	72,003
Security Deposits	64,078
<b>Total other current assets</b>	<b>136,081</b>

## 12 PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND	FREEHOLD BUILDINGS	PLANT AND EQUIPMENT	FIXTURES AND FITTINGS	HARDWARE AND SOFTWARE	OFFICE FURNITURE AND EQUIPMENT	TOTAL
30 JUNE 2011	\$	\$	\$	\$	\$	\$	\$
Opening net book amount	-	-	-	-	-	-	-
Additions	24,128,989	1,540,377	582,833	53,806	144,057	13,039	26,463,101
Depreciation charge	-	(7,012)	(582,833)	(52,583)	(22,297)	(3,186)	(667,911)
Disposal	-	-	-	-	-	-	-
<b>Closing net book amount</b>	<b>24,128,989</b>	<b>1,533,365</b>	<b>-</b>	<b>1,223</b>	<b>121,760</b>	<b>9,853</b>	<b>25,795,190</b>
AT 30 JUNE 2011							
Cost or fair value	24,128,989	1,540,377	582,833	53,806	144,057	13,039	26,463,101
Accumulated depreciation	-	(7,012)	(582,833)	(52,583)	(22,297)	(3,186)	(667,911)
<b>Net book amount</b>	<b>24,128,989</b>	<b>1,533,365</b>	<b>-</b>	<b>1,223</b>	<b>121,760</b>	<b>9,853</b>	<b>25,795,190</b>

### Assets in the course of construction

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction:

	2011 \$
Land	24,128,989
Buildings	1,540,377
<b>Total assets in the course of construction</b>	<b>25,669,366</b>

### 13 CAPITAL WORK-IN-PROGRESS

	BUILDING AND FIT OUT WORKS	CONSULTANCY FEES	MECHANICAL AND ELECTRICAL EQUIPMENT	LAND	TOTAL
30 JUNE 2011	\$	\$	\$	\$	\$
Opening amount	-	-	-	-	-
Additions	11,550,466	1,106,762	7,428,982	746,676	20,832,886
Transfers	-	-	-	-	-
<b>Closing amount</b>	<b>11,550,466</b>	<b>1,106,762</b>	<b>7,428,982</b>	<b>746,676</b>	<b>20,832,886</b>

### 14 DEFERRED TAX ASSETS

	2011 \$
<b>The balance comprises temporary differences attributable to:</b>	
Employee benefits	18,635
Expenses deductible in future years	12,294
Black-hole expenditure deductible in future years	10,089
Other	
Make good provision	6,250
Share issue expenses	863,695
<b>Total deferred tax assets</b>	<b>910,963</b>
Set off of deferred tax liabilities pursuant to set off provisions	(108,092)
<b>Net deferred tax assets</b>	<b>802,871</b>
Deferred tax assets expected to be recovered within 12 months	33,451
Deferred tax assets expected to be recovered after more than 12 months	769,420
<b>Total</b>	<b>802,871</b>

MOVEMENTS	TAX LOSSES	EMPLOYEE BENEFITS	OTHER	SHARE TRANSACTION COSTS	TOTAL
	\$	\$	\$	\$	\$
<b>At 11 May 2010</b>	-	-	-	-	-
Charged/(credited)					
- to profit or loss	-	18,635	28,633	-	47,268
- directly to equity	-	-	-	863,695	863,695
<b>At 30 June 2011</b>	-	<b>18,635</b>	<b>28,633</b>	<b>863,695</b>	<b>910,963</b>

## 15 TRADE AND OTHER PAYABLES

	2011 \$
Trade payables	6,341,552
Employee entitlements	65,934
PAYG Payable	104,185
Other payables	3,604
Accrued expenses	40,980
<b>Total trade and other payables</b>	<b>6,556,255</b>

### (A) RISK EXPOSURE

As all payables are in Australian dollars, management does not believe there are any significant risks in relation to these financial liabilities.

## 16 DEFERRED TAX LIABILITIES

	2011 \$
<b>The balance comprises temporary differences attributable to:</b>	
Accrued interest	107,799
Prepayments	293
<b>Total deferred tax liabilities</b>	<b>108,092</b>
Set off of deferred tax liabilities pursuant to set off provisions (note 14)	<b>(108,092)</b>
<b>Net deferred tax liabilities</b>	<b>-</b>
Deferred tax liabilities expected to be settled within 12 months	108,092
Deferred tax liabilities expected to be settled after more than 12 months	-
<b>Total</b>	<b>108,092</b>

MOVEMENTS	OTHER \$	TOTAL \$
At 11 May 2010	-	-
Charged/(credited)		
to profit or loss	108,092	108,092
<b>At 30 June 2011</b>	<b>108,092</b>	<b>108,092</b>

## 17 PROVISIONS

	NOTE	2011 \$
Provision for make-good	(a)	20,833

### (A) MAKE GOOD PROVISION

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

### (B) MOVEMENTS IN PROVISIONS

Movements in each class of provision during the financial period, other than employee benefits, are set out below:

	MAKE-GOOD \$	TOTAL \$
Carrying amount at start of period – 11 May 2010	-	-
Additional provision recognised	20,833	20,833
<b>Carrying amount at end of period 30 June 2011</b>	<b>20,833</b>	<b>20,833</b>

## 18 CONTRIBUTED EQUITY

### (A) SHARE CAPITAL

	NOTE	2011 NO. SHARES	2011 \$
Fully Paid Ordinary Shares	(c)	114,962,029	106,212,362
<b>Total Contributed Equity</b>		<b>114,962,029</b>	<b>106,212,362</b>

### (B) MOVEMENTS IN ORDINARY SHARE CAPITAL

DATE	DETAILS	NOTE	NUMBER OF SHARES	ISSUE PRICE	VALUE
\$					
11 May 2010	Inception of the company		100	\$1.00	100
5 November 2010	Conversion of shares		19,999,900	-	-
6 November 2010	Additional shares issued	(c)	20,000,000	\$1.00	20,000,000
13 December 2010	Initial Public Offer	(c)	40,000,000	\$1.00	40,000,000
24 March 2011	1st tranche of Institutional Placement	(c)	12,000,000	\$1.40	16,800,000
21 April 2011	Shareholder Purchase Plan	(c)	10,962,029	\$1.40	15,346,841
29 April 2011	2nd tranche of Institutional Placement	(c)	12,000,000	\$1.40	16,800,000
	Less: Transaction costs arising on share issue				(3,598,275)
	Deferred tax credit recognised directly in equity				863,696
<b>30 June 2011</b>	<b>Balance</b>		<b>114,962,029</b>		<b>106,212,362</b>

### (C) ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company 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 company does not have a limited amount of authorised capital.

### (D) DIVIDEND REINVESTMENT PLAN

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

## (E) OPTIONS

Information relating to the NEXTDC Limited Executive Share Option Plan, including details of options issued, exercised and lapsed during the financial period and options outstanding at the end of the reporting period, is set out in note 29.

## (F) CAPITAL RISK MANAGEMENT

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

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

The Company intends to maintain as low a gearing ratio as possible.

	2011 \$
Total borrowings (including trade and other payables)	6,556,255
Less: cash and cash equivalents	(62,097,783)
Net debt / (surplus cash)	(55,541,528)
Total equity	106,212,362
Total capital	50,670,834
<b>Gearing ratio</b>	<b>0%</b>

## 19 RESERVES

	2011 \$
Share-based payments	263,851
<b>Total</b>	<b>263,851</b>
<b>MOVEMENTS</b>	
Opening balance at 11 May 2010	-
Options expense	263,851
<b>Total</b>	<b>263,851</b>

## (A) NATURE AND PURPOSE OF RESERVES

### SHARE BASED PAYMENTS

The share based payments reserve is used to recognise:

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

## 20 RETAINED EARNINGS / (ACCUMULATED LOSSES)

	2011 \$
<b>MOVEMENTS</b>	
Opening balance at 11 May 2010	-
Net profit / (loss) for the period	(1,674,409)
Dividends paid or provided for	-
<b>Total</b>	<b>(1,674,409)</b>

## 21 DIVIDENDS

No dividends were paid or were declared payable by the Company.

## 22 KEY MANAGEMENT PERSONNEL DISCLOSURES

### (A) KEY MANAGEMENT PERSONNEL COMPENSATION

	2011 \$
Short-term employee benefits	705,237
Post-employment benefits	63,470
Share-based payments	258,592
<b>Total</b>	<b>1,027,299</b>

Detailed remuneration disclosures are provided in the remuneration report on page 25.

### (B) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

#### (i) Options provided as remuneration

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on page 25.

#### (ii) Option holdings

The numbers of options over ordinary shares in the company held during the financial period by each director of NEXTDC Limited and other key management personnel of the Company, including their personally related parties, are set out below.

2011							
NAME	BALANCE AT START OF THE PERIOD	GRANTED AS COMPENSATION	EXERCISED	OTHER CHANGES	BALANCE AT END OF THE PERIOD	VESTED AND EXERCISABLE	UNVESTED
DIRECTORS OF NEXTDC LIMITED							
Mr Roger Clarke	-	250,000	-	-	250,000	-	<b>250,000</b>
Mr Ted Pretty	-	750,000	-	-	750,000	-	<b>750,000</b>
Mr Bevan Slattery	-	-	-	-	-	-	-
Mr Robin Khuda	-	1,000,000	-	-	1,000,000	-	<b>1,000,000</b>
Mr Craig Scroggie	-	250,000	-	-	250,000	-	<b>250,000</b>
Mr Greg Baynton	-	250,000	-	-	250,000	-	<b>250,000</b>
OTHER KEY MANAGEMENT PERSONNEL							
Mr Gordon Paddy	-	200,000	-	-	200,000	-	<b>200,000</b>
Mr John Turner	-	-	-	-	-	-	-
Ms Jacqueline Keller	-	-	-	-	-	-	-

All vested options except for options granted to Mr Ted Pretty will become exercisable on 13 December 2011. Mr Pretty's options are exercisable from 27 April 2012 (500,000 options) and 27 April 2013 (250,000 options).

### (iii) Share holdings

The numbers of shares in the company held during the financial period by each director of NEXTDC Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2011 – ORDINARY SHARES				
NAME	BALANCE AT THE START OF THE PERIOD	RECEIVED DURING THE PERIOD ON THE EXERCISE OF OPTIONS	SHARES ACQUIRED / (DISPOSED) DURING THE PERIOD	BALANCE AT 30 JUNE 2011
DIRECTORS OF NEXTDC LIMITED				
Mr Roger Clarke	-	-	260,714	<b>260,714</b>
Mr Ted Pretty	-	-	-	-
Mr Bevan Slattery	-	-	40,010,714	<b>40,010,714</b>
Mr Robin Khuda	-	-	194,286	<b>194,286</b>
Mr Craig Scroggie	-	-	260,714	<b>260,714</b>
Mr Greg Baynton	-	-	260,714	<b>260,714</b>
OTHER KEY MANAGEMENT PERSONNEL				
Mr Gordon Paddy	-	-	-	-
Mr John Turner	-	-	-	-
Ms Jacqueline Keller	-	-	-	-

### (c) Loans to key management personnel

No loans were made to key management personnel during the period.

### (d) Other transactions with key management personnel

There were no other transactions with key management personnel during the period.

## 23 REMUNERATION OF AUDITORS

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

### (A) PWC AUSTRALIA

	2011 \$
(i) Audit and other assurance services	
Audit and review of financial statements	35,150
(ii) Taxation Services	
Tax compliance services	25,800
(iii) Other services	
Accounting services rendered relating to the IPO	40,238
Agreed-upon procedures engagement	3,000
<b>Total Remuneration of PwC Australia</b>	<b>104,188</b>

### (B) RELATED PRACTICES OF PWC AUSTRALIA

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

### (C) NON-PWC AUDIT FIRMS

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

## 24 CONTINGENCIES

### CONTINGENT ASSETS AND LIABILITIES

The Company did not have any contingent assets or liabilities during the period or as at the date of this report.

## 25 COMMITMENTS

### (A) CAPITAL COMMITMENTS

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

PAYABLE	2011 \$
Within 12 months	32,798,139
Later than 12 months but not later than 5 years	-
Later than 5 years	-
<b>Total</b>	<b>32,798,139</b>

### (B) LEASE COMMITMENTS: COMPANY AS LESSEE

#### (i) Non-cancellable operating leases

The Company leases an office under a non-cancellable operating leases expiring within five years. On renewal, the terms of the leases are renegotiated.

PAYABLE	2011 \$
Within 12 months	225,416
Later than 12 months but not later than 5 years	902,484
Later than 5 years	-
<b>Total</b>	<b>1,127,900</b>

#### (ii) Finance leases

The Company does not have any assets held under finance lease.

## 26 RELATED PARTY TRANSACTIONS

### (A) KEY MANAGEMENT PERSONNEL

Disclosure relating to key management personnel are set out in note 22.

### (B) TRANSACTIONS WITH OTHER RELATED PARTIES

During the period 11 May 2010 to 30 June 2011, NEXTDC Limited entered into an agreement with RBS Morgans Corporate Limited, who acted as Joint Lead Manager and Underwriter to NEXTDC Limited's Initial Public Offering (IPO). Mr Roger Clarke is the Chairman of the Board of Advice at RBS Morgans Limited, a broker to the offer, which is also a related entity of RBS Morgans Corporate Limited. The contract was for an underwriting fee of 3% of the total amount raised under the Offer and a management fee of 1% for management services in respect of the Offer. The agreement is based on normal commercial terms and conditions.

In addition to the Initial Public Offering, RBS Morgans Corporate also provided assistance and underwriting in relation to the Company's Institutional Placement and Shareholder Purchase Plan in April 2011. A total of \$1,613,139 was paid to RBS Morgans for their advisory and management work for the period 11 May 2010 to 30 June 2011. No amounts were unpaid as at 30 June 2011.

### (C) OUTSTANDING BALANCES ARISING FROM SALES/PURCHASES OF GOODS AND SERVICES

There were no outstanding balances with related parties at 30 June 2011.

### (D) LOANS TO/FROM RELATED PARTIES

There were no loans to or from related parties during the period.

## 27 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2011 \$
<b>Profit /(loss) for the period after income tax</b>	<b>(1,674,409)</b>
Depreciation and amortisation	667,911
Non-cash employee benefits expense share based payments	263,851
Fees paid for bank finance facility (classified as financing cash flows)	70,000
<b>Change in operating assets and liabilities</b>	
(Increase) decrease in trade debtors	(889)
(Increase) decrease in prepayments and deposits	(136,081)
(Increase) decrease in interest receivable	(359,330)
(Increase) decrease in GST	(25,525)
(Increase) decrease in deferred tax assets	(47,268)
(Decrease) increase in trade creditors	152,137
(Decrease) increase in other operating liabilities	148,769
Increase (decrease) in employee entitlements	65,934
Increase (decrease) in deferred tax liabilities	108,092
Increase (decrease) in other provisions	20,833
<b>Net cash inflow (outflow) from operating activities</b>	<b>(745,975)</b>

## 28 EARNINGS PER SHARE

### (A) BASIC EARNINGS / (LOSSES) PER SHARE

	2011 CENTS
From continuing operations	(3.46)
From discontinued operations	-
<b>Total basic earnings (losses) per share attributable to the ordinary equity holders of the company</b>	<b>(3.46)</b>

### (B) DILUTED EARNINGS / (LOSSES) PER SHARE

	2011 CENTS
From continuing operations	(3.46)
From discontinued operations	-
<b>Total diluted earnings (losses) per share attributable to the ordinary equity holders of the company</b>	<b>(3.46)</b>

(C) RECONCILIATIONS OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

	2011 \$
BASIC EARNINGS PER SHARE	
Profit / (Loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	
From continuing operations	(1,674,409)
From discontinuing operations	-
<b>Profit / (Loss) Used in Calculating Basic EPS</b>	<b>(1,674,409)</b>
DILUTED EARNINGS PER SHARE	
Profit / (Loss) from continuing operations attributable to the ordinary equity holders of the company:	
From continuing operations	(1,674,409)
Used in calculating diluted earnings per share	(1,674,409)
Profit / (Loss) from discontinuing operations	
<b>Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share</b>	<b>(1,674,409)</b>

(D) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	NUMBER OF SHARES
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	48,451,469
Plus potential ordinary shares	-
<b>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</b>	<b>48,451,469</b>

(E) INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

(i) **Partly paid ordinary shares**

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

(ii) **Options**

Options granted to employees under the NEXTDC Limited Executive Share Option Plan are not considered to be potential ordinary shares as doing so would reduce the losses per share. In addition, the options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 29.

## 29 SHARE BASED PAYMENTS

(A) EXECUTIVE SHARE OPTION PLAN

The establishment of the NEXTDC Limited Executive Share Option Plan ("ESOP") was approved by during the Company's Initial Public Offering. A second ESOP in favour of Mr Ted Pretty was also approved at the general meeting held on Wednesday 27 April 2011. The Executive Share Option Plan is designed to provide medium and long-term incentives for directors and senior managers and key personnel to deliver long term shareholder returns. Under the plan, participants are granted options which will vest after a certain timeframe. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

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

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

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

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE PERIOD	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD	FORFEITED DURING THE PERIOD	BALANCE AT END OF THE PERIOD	VESTED AND EXERCISABLE AT END OF THE PERIOD
			NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
13 Dec 2010	13 Dec 2012	\$1.00	-	1,500,000	-	-	1,500,000	-
13 Dec 2010	13 Dec 2012	\$1.50	-	500,000	-	-	500,000	-
27 Apr 2011	27 Apr 2013	\$1.40	-	500,000	-	-	500,000	-
27 Apr 2011	27 Apr 2014	\$1.40	-	250,000	-	-	250,000	-
<b>Total</b>			-	<b>2,750,000</b>	-	-	<b>2,750,000</b>	-
Weighted average exercise price			-	\$1.20	-	-	\$1.20	-

No options expired during the periods covered by the above tables. The weighted average remaining contractual life of share options outstanding at the end of the period was 1.65 years.

#### FAIR VALUE OF OPTIONS GRANTED

The assessed fair value at grant date of options granted during the period ended 30 June 2011 was 23.56 cents per option. The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the period ended 30 June 2011 included:

- (i) options are granted for no consideration and vest 12 months after grant date. Vested options are exercisable for a period of 12 months after vesting
- (ii) exercise price: \$1.20 weighted average
- (iii) grant date: 13 December 2010 (plan 1) and 27 April 2011 (plans 2 and 3)
- (iv) expiry date: 13 December 2012 (plan 1), 27 April 2013 (plan 2) and 27 April 2014 (plan 3)
- (v) share price at grant date: \$1.00 (plan 1) and \$1.40 (plans 2 and 3)
- (vi) expected price volatility of the company's shares: 32%
- (vii) expected dividend yield: 0%
- (viii) risk free interest rate: 4.91%

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

#### (B) EXPENSES ARISING FROM SHARE BASED PAYMENT TRANSACTIONS

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

	2011 \$
Options issued under Executive Share Option Plan	263,851
<b>Total</b>	<b>263,851</b>

### 30 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 18 July 2011, NEXTDC Limited signed a 15-year lease over a secure data centre facility in Canberra. As part of the agreement, NEXTDC Limited has provided a bank guarantee of \$1.1 million to the lessor.

On 29 July 2011, NEXTDC Limited announced a capital raising, aiming to issue approximately \$50 million of shares (28,571,428 shares at \$1.75 each). Of this, approximately \$30 million was issued on 5 August 2011. The remaining \$20 million (approximately) is subject to shareholder approval at a general meeting on 15 September 2011.

## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 39 to 65 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 entity's financial position as at 30 June 2011 and of its performance for the period 11 May 2010 to 30 June 2011, 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

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



**Bevan Slattery**

Chief Executive Officer  
NEXTDC Limited

Brisbane  
26 August 2011

The image shows a blue wall with several rectangular panels. Some panels are red, and some are grey with a white border. The panels are arranged in a grid-like pattern, with some missing or partially obscured. The text "INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS" is written in red at the bottom left of the page.

INDEPENDENT  
AUDITOR'S REPORT  
TO THE MEMBERS



## Independent auditor's report to the members of NEXTDC Limited

### Report on the financial report

We have audited the accompanying financial report of NEXTDC Limited (the company), which comprises the balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 11 May 2010 to 30 June 2011, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's responsibility*

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

#### *Independence*

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

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*Auditor's opinion*

In our opinion:

- (a) the financial report of NEXTDC Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the period 11 May 2010 to 30 June 2011; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

*Report on the Remuneration Report*

We have audited the remuneration report included in pages 18 to 24 of the directors' report for the period 11 May 2010 to 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the remuneration report of NEXTDC Limited for the period 11 May 2010 to 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

*Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report and remuneration report of NEXTDC Limited (the company) for the period 11 May 2010 to 30 June 2011 included on NEXTDC Limited's web site. The company's directors are responsible for the integrity of the NEXTDC Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

Trevor Mahony  
Partner

Brisbane  
26 August 2011

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 30 June 2011.

## 1. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

HOLDING	NUMBER OF INVESTORS	NUMBER OF SECURITIES
1 - 1,000	135	85,513
1,001 - 5,000	566	1,750,642
5,001 - 10,000	522	3,980,327
1,001 - 100,000	1,087	27,481,420
100,001 and over	62	81,664,127
	2,372	114,962,029

The number of security investors holding less than a marketable parcel is 11 and they hold a total of 295 securities. NEXTDC's share price on 30 June 2011 was \$1.70.

## 2. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

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

	NAME	ORDINARY SHARES	
		NUMBER HELD	% OF ISSUED SHARES
1	MR BEVAN ANDREW SLATTERY	40,010,714	34.80%
2	NATIONAL NOMINEES LIMITED	12,986,283	11.30%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	5,734,419	4.99%
4	AUST EXECUTOR TRUSTEES NSW LTD <TEA CUSTODIANS LIMITED>	3,141,070	2.73%
5	COGENT NOMINEES PTY LIMITED	2,801,671	2.44%
6	COGENT NOMINEES PTY LIMITED <SMP ACCOUNTS>	1,535,015	1.34%
7	HSBC CUSTODY NOMINEES	1,503,800	1.31%
8	BOND STREET CUSTODIANS LTD <MACQUARIE SMALLER CO'S A/C>	885,590	0.77%
9	CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C>	855,149	0.74%
10	THIRD EXAR PTY LTD <SUPER FUND A/C>	810,714	0.71%
11	BOND STREET CUSTODIANS LIMITED <MACQUARIE ALPHA OPPORT A/C>	783,462	0.68%
12	RAYMOND JOHN CAMPBELL	771,928	0.67%
13	MR SIMON MOORE	685,714	0.60%
14	BOND STREET CUSTODIANS LTD <MACQ AUST MICROCAP FUND A/C>	550,862	0.48%
15	NORFOLK ENCHANTS PTY LTD <TROJAN RETIREMENT FUND A/C>	510,714	0.44%
16	POMEGRANATE PTY LTD	475,000	0.41%
17	BROOKLINE PTY LTD	360,000	0.31%
18	CITICORP NOMINEES PTY LIMITED	302,143	0.26%
19	ALLEGRO CAPITAL NOMINEES PTY LTD <ALLEGRO CAPITAL ACCOUNT>	260,714	0.23%
20	KELWICK PTY LTD <CLARKE SUPER FUND A/C>	260,714	0.23%
		75,225,676	65.44%

UNQUOTED EQUITY SECURITIES	NUMBER ON ISSUE	NUMBER OF HOLDERS
Options issued under the NEXTDC Executive Share Option Plan to take up ordinary shares	2,750,000	9

### 3. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Bevan Slattery	40,010,714	34.80%
National Nominees Limited	12,986,283	11.30%

### 4. VOTING RIGHTS

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

(a) 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.

(b) Options

No voting rights.



**N E X T D C**