INDEPENDENT EXPERT'S REPORT

Asia Pacific Data Centre Group

In relation to an unconditional all cash takeover offer to acquire all the securities of Asia Pacific Data Centre Group at an Offer Price of $1.87 per security by NEXTDC Limited.

25 August 2017

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This Financial Services Guide is issued in relation to an independent expert's report (**Report** or **IER**) prepared by BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (**BDOCF**) at the request of the directors (**Directors**) of Asia Pacific Data Centre Group (**APDC**), comprising Asia Pacific Data Centre Limited and Asia Pacific Data Centre Trust.

Engagement

The IER is intended to accompany the **Target's Statement** that is to be provided by the Directors of APDC to assist the Securityholders of APDC in determining whether to accept the proposed offer by NEXTDC Limited (**NEXTDC**) for all the securities of APDC (**NEXTDC Offer**).

Financial Services Guide

BDOCF holds an Australian Financial Services Licence (License No: 247420) (**Licence**). As a result of our IER being provided to you BDOCF is required to issue to you, as a retail client, a Financial Services Guide (**FSG**). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services BDOCF is licensed to provide

The Licence authorises BDOCF to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

BDOCF provides financial product advice by virtue of an engagement to issue the IER in connection with the acquisition of securities by another person.

Our IER includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our IER (as a retail client) because of your connection with the matters on which our IER has been issued.

Our IER is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the IER.

General financial product advice

Our IER provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to voting on the NEXTDC Offer described in the Target's Statement may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDOCF may receive

BDOCF will receive a fee based on the time spent in the preparation of the IER in the amount of approximately $100,000 (plus GST and disbursements). BDOCF will not receive any fee contingent upon the outcome of the NEXTDC Offer, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the NEXTDC Offer.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDOCF or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our IER was provided.

Referrals

BDOCF does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDOCF is licensed to provide.

Associations and relationships

BDOCF is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. The directors of BDOCF may also be partners in BDO East Coast Partnership, Chartered Accountants and Business Advisers.

BDO East Coast Partnership is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

BDOCF's contact details are as set out on our letterhead.

BDOCF is unaware of any matter or circumstance that would preclude it from preparing the IER on the grounds of independence under regulatory or professional requirements. In particular, BDOCF has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and the Australian Securities and Investments Commission (**ASIC**).

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance (East Coast) Pty Ltd, Level 11, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited (**FOS**). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDOCF is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited

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Level 11, 1 Margaret St
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The Directors
Asia Pacific Data Centre Group
Level 13
135 King Street
SYDNEY NSW 2000

25 August 2017

Dear Directors

INDEPENDENT EXPERT'S REPORT IN RELATION TO AN OFF-MARKET AND UNCONDITIONAL TAKEOVER OFFER TO ACQUIRE ALL OF THE STAPLED SECURITIES IN ASIA PACIFIC DATA CENTRE GROUP

1. INTRODUCTION

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (BDOCF, we, us or our) has been engaged by the Independent Directors (Directors) of APDC to prepare an independent expert's report (Report or IER). The Directors have requested that our Report sets out our opinion as to whether the proposal from NEXTDC to acquire all of the securities in APDC is fair and reasonable to the APDC Securityholders.

2. APPROACH

In preparing our IER, we have considered the requirements of:

- RG 111 Content of expert reports
- RG 112 Independence of experts.

RG 111 establishes guidelines in respect of independent expert reports under the Corporations Act. This regulatory guide provides guidance as to what matters an independent expert should consider to assist Securityholders to make informed decisions about transactions.

RG 111 states that there should be a separate assessment of fairness and reasonableness.

2.1. Fairness

A proposed transaction is 'fair' if the value of the financial benefit offered by the bidder entity (NEXTDC) to the target entity (APDC) is equal to or greater than the value of the asset being acquired (APDC).

The fairness assessment should assume a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious seller, acting at arm's length.

2.2. Reasonableness

In accordance with paragraph 60 of RG111, an offer is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons to vote for the proposal.

When deciding whether a proposed transaction is 'reasonable', factors an expert might consider include:

- the financial situation and solvency of the entity;
- the alternative options available to the entity;
- the entity's bargaining position;
- whether there is selective treatment of any Securityholder;
- any special value of the transaction to the purchaser.

3. PURPOSE OF REPORT

There is no statutory requirement for the Directors of APDC to commission an IER in relation to the NEXTDC Offer. However, the Directors of APDC have requested that BDO prepare an IER stating whether, in BDO's opinion, the NEXTDC Offer is fair and reasonable.

This IER provides an opinion as to whether the NEXTDC Offer is fair and reasonable to APDC Securityholders.

4. NEXTDC OFFER

On 31 July 2017, NEXTDC Limited announced a takeover offer to acquire all of the stapled securities in APDC that NEXTDC does not already own (NEXTDC Offer) for $1.87 cash per APDC security (Offer Price).

APDC Securityholders will also be entitled to receive the $0.0243 per security distribution announced on 26 June 2017 (payable 28 August 2017).

Further details of the NEXTDC Offer are set out in the Target's Statement to be sent to the APDC Securityholders.

5. SUMMARY OF OPINIONS

We have considered the terms of the NEXTDC Offer, as outlined in the body of this Report, and have concluded that the NEXTDC Offer is fair and reasonable to APDC Securityholders.

A summary of our analysis in forming the above opinion is provided below.

The NEXTDC Offer is Fair and Reasonable to APDC Securityholders

5.1. Fairness Assessment

In undertaking our fairness opinion, we have had regard to the Australian Securities and Investments Commission (**ASIC**) Regulatory Guide 111 *Content of expert reports* (**RG 111**).

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

In relation to the interpretation of RG111.11, ASIC has advised that the appropriate assessment is to compare:

- The fair market value of a security pre-transaction on a control basis (being the value of the securities the subject of the offer, per RG111.11); and
- The fair market value of the offer price.

The basis for the above form of comparison is to ensure our analysis is in line with RG111.5 to RG111.7 which include statements as follows:

- The main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the NEXTDC Offer; and
- The form of analysis an expert uses to evaluate a transaction should address the issues faced by Securityholders.

We have formed our opinion in relation to fairness by comparing the:

- Fair market value of an APDC Security before the NEXTDC Offer (including a premium for control); and
- The cash consideration offered by NEXTDC.

The NEXTDC Offer will be fair if the cash consideration offered by NEXTDC is equal to or greater than the fair market value of a APDC Security before the NEXTDC Offer (including a premium for control).

Accordingly, to undertake this comparison we have undertaken an assessment of the value of a APDC Security before the NEXTDC Offer.

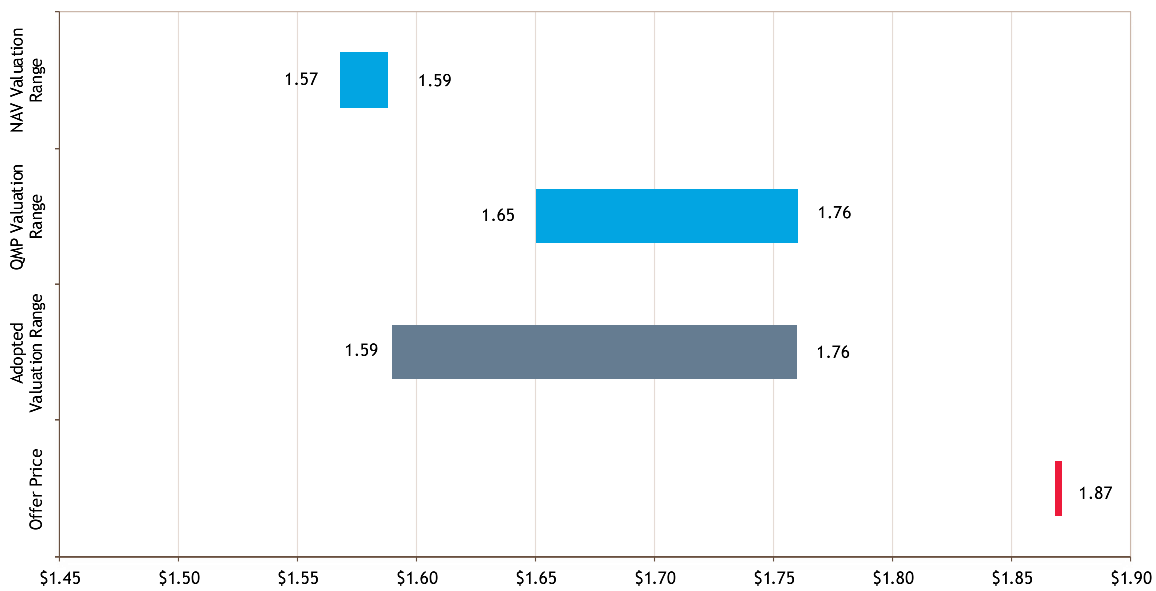
The result of our fairness analysis is summarised below.

Table 1: Fairness assessment

A$	Low	High
Net asset value (NAV) valuation method	1.57	1.59
Quoted market price (QMP) valuation method	1.65	1.76
Value range of APDC per security (control)	1.59	1.76
Offer price	1.87	1.87

Source: BDOCF analysis

Figure 1: Adopted value range per APDC Security and comparison to Offer Price



Source: BDOCF analysis

We have adopted a value range per APDC Security utilising both the QMP and NAV valuation methodologies.

The Offer Price of $1.87 exceeds our valuation of an APDC Security on a control basis under all adopted valuation methodologies. As a result, we have concluded that the NEXTDC Offer is fair to APDC Securityholders in the absence of a superior offer.

5.2. The NEXTDC Offer is Reasonable to APDC Securityholders

In accordance with RG 111 an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, the expert believes that there are sufficient reasons for APDC Securityholders to accept the offer in the absence of a superior offer.

Whilst the NEXTDC Offer is fair, we have assessed the reasonableness of the NEXTDC Offer by considering the factors arising thereto. Set out below is a summary of factors we have considered in our reasonableness assessment.

Table 2: Summary of factors considered in the reasonableness assessment

Advantages	
The transaction is fair	The offer is Fair in the absence of a superior offer. The NEXTDC Offer is 18% to 19% above our NAV valuation (section 6) and 6% to 13% above our QMP valuation (on a control basis) (section 7).
Certainty of cash	If you accept the NEXTDC Offer you will receive cash of $1.87 per APDC Security which has a fixed value. If you continue to hold APDC securities, there may be future movements in the value of the security, which may be positive or negative.
Ability to receive revised, higher offer	If you accept the offer, and NEXTDC increases their offer price, you will receive the higher offer price. If you sell your securities on the market, you will not receive any increase in offer price. We note that NEXTDC has not made any indication that it will increase its offer.
No brokerage	You will not incur any brokerage if you accept the NEXTDC Offer. Brokerage may be payable if you sell your Securities on the ASX.
Disadvantages	
No ability to accept a superior offer	If you accept the NEXTDC Offer you will not be able to accept a superior proposal if it emerges in the future. As at the date of this Report, no superior offer has been announced. If NEXTDC increases their offer, and you have previously accepted the NEXTDC Offer, you will receive the increased offer.
Taxation implications	There may be tax consequences arising from accepting the offer (or selling your securities on the ASX). APDC Securityholders should consult with their own independent taxation advisers regarding the taxation implications of accepting the NEXTDC Offer given their own particular circumstances.
Loss of exposure to data centre REIT market	If you accept the NEXTDC Offer you will no longer hold an ADPC Security. You will no longer be exposed to the risks and rewards experienced by ADPC. We note however, that you may reinvest the proceeds of the NEXTDC Offer (net of any tax) into similar investments.

Source: BDOCF analysis

5.3. Situation If You Reject The Offer

At the end of the Offer Period, any APDC Securityholders who do not accept the NEXTDC Offer may be subject to the following risks:

- NEXTDC has stated in the Bidder's Statement that if it acquires at least 90% of APDC Securities, it intends to arrange for APDC to be removed from the official list of the ASX and acquire your APDC Securities through the implementation of compulsory acquisition procedures in accordance with section 661B of the Corporations Act, in which case you will be compelled to sell your APDC Securities to NEXTDC but may not receive your consideration for a number of weeks;
- if NEXTDC does not acquire at least 90% of APDC Securities but is in a position to cast the majority of votes at a general meeting of APDC Securityholders, then NEXTDC will be able to:
  - (A) control the composition of the boards of APDC Holdings and APDC Limited;
  - (B) replace the responsible entity of APDC Trust; and
  - (C) determine the strategic direction of APDC generally.
- If NEXTDC does not acquire at least 90% of APDC Securities but acquires more than 75% of APDC Securities it will, subject to applicable voting exclusions in the Corporations Act and (if APDC remains listed) the ASX Listing Rules, be able to pass a special resolution at a general meeting of APDC Securityholders. This would enable NEXTDC to, among other things, change the constitution of APDC Holdings and/or APDC Trust;
- If a Securityholder rejects the offer and if no superior proposal emerges, there is a risk that the price of APDC Securities may trade below the price of A$1.87 per APDC Security offered by NEXTDC. As at the date of this Report, no superior offer has been announced;

- As there are fewer securities on issue held by parties other than NEXTDC, the liquidity of APDC Securities may be lower than at present, potentially impacting upon your ability to dispose of your APDC Securities. NEXTDC has stated in the Bidder's Statement that, subject to continued compliance by APDC with the ASX Listing Rules, APDC's listing on the ASX is intended to be maintained; and
- If NEXTDC acquires a sufficiently high percentage of APDC Securities in the year ending 30 June 2018, there is a risk that APDC Trust may not qualify as a "Managed Investment Trust" under the tax rules for the entire year and certain concessions enjoyed by the APDC Trust and APDC Securityholders are no longer applicable after the June 2017 Distribution (see section 5 of the Australian Taxation Letter at Appendix 1).

Based on the above, we are of the opinion that the NEXTDC Offer is reasonable to the APDC Securityholders.

6. OTHER MATTERS

6.1. Securityholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDOCF has not considered the effect of the NEXTDC Offer on the particular circumstances of individual Securityholders. Some individual Securityholders may place a different emphasis on various aspects of the NEXTDC Offer from that adopted in this IER. Accordingly, individual Securityholders may reach different conclusions as to whether or not the NEXTDC Offer is fair and reasonable in their individual circumstances.

The decision of an individual APDC Securityholder in relation to the NEXTDC Offer may be influenced by their particular circumstances and accordingly individual APDC Securityholders are advised to seek their own independent advice.

Approval or rejection of the NEXTDC Offer is a matter for individual APDC Securityholders based on their expectations as to the expected value, future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. APDC Securityholders should carefully consider the Target's Statement. Individual APDC Securityholders who are in doubt as to the action they should take in relation to the NEXTDC Offer should consult their professional adviser.

6.2. General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated by those persons affected by the NEXTDC Offer. In preparing the IER we considered ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- Particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the past, between BDO East Coast Partnership or BDOCF and any of the parties to the NEXTDC Offer
- The nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER.
- We have been appointed as independent expert for the purposes of providing an IER in relation to the NEXTDC Offer for the Directors.
- That we have relied on information provided by the Directors and Management of APDC and that we have not carried out any form of audit or independent verification of the information provided other than our review of the valuation reports.
- That we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

6.3. Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to us.

6.4. Glossary

Capitalised terms used in this IER have the meanings set out in the glossary. A glossary of terms used throughout this IER is set out in **Appendix 1**.

6.5. Sources of Information

Appendix 2 to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by APDC.

Under the terms of our engagement, APDC agreed to indemnify the partners, directors and staff (as appropriate) of BDO East Coast Partnership and BDOCF and their associated entities, against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by APDC which is false or misleading or omits any material particulars, or arising from failure to supply relevant information.

6.6. Limitations

This IER has been prepared at the request of the Directors for the sole benefit of the Directors and APDC Securityholders to assist them in their decision to accept or reject the NEXTDC Offer. This IER is to accompany the Target's Statement to be sent to APDC Securityholders to consider the NEXTDC Offer and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and APDC Securityholders without our written consent. We accept no responsibility to any person other than the Directors and Securityholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of the IER within the Target's Statement. Apart from this IER, we are not responsible for the contents of the Target's Statement or any other document associated with the NEXTDC Offer. We acknowledge that this IER may be lodged with regulatory authorities.

6.7. Summary

This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

6.8. Financial Service Guide

BDOCF holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.

Yours faithfully
BDO CORPORATE FINANCE (EAST COAST) PTY LTD

Sebastian Stevens
Director

David McCourt
Director

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1. PURPOSE AND BACKGROUND

1.1. Purpose

We have been engaged by the Directors of APDC to prepare an IER setting out our opinion as to whether the NEXTDC Offer is fair and reasonable to APDC Securityholders.

This IER is to accompany the Target's Statement to be provided to APDC Securityholders in connection with the NEXTDC Offer. It has been prepared to assist and enable the APDC Securityholders to assess the merits of the NEXTDC Offer and to decide whether to accept the NEXTDC Offer.

A summary of the background to the terms of the NEXTDC Offer are set out below.

1.2. Background to the NEXTDC Offer

On 2 May 2017, substantial APDC Securityholder 360 Capital Limited announced that it had acquired 19.8% interest in APDC at a price of A$1.57 per APDC Security.

On 18 July 2017, NEXTDC announced that it had had acquired a 14.1% interest in APDC for A$1.78 per APDC Security. Between 19 July 2017 and 27 July 2017 NEXTDC acquired a further 5.89% interest in APDC, bringing its total interest in APDC Securities to 19.99% at prices of between A$1.78 and A$1.85 per APDC Security.

On 25 July 2017, 360 Capital provided APDC with the terms of a conditional proposal to acquire all of the APDC Securities at A$1.80 per APDC Security.

On 31 July 2017, NEXTDC Limited (NEXTDC) announced an unconditional all cash takeover offer to acquire all of the securities in APDC (NEXTDC Offer) at a price of $1.87 per APDC security (Offer Price).

The Offer Price of $1.87 per security will be paid within seven business days of acceptance and APDC Securityholders will also be entitled to receive the A$0.0243 per APDC Security distribution announced on 26 June 2017 (payable 28 August 2017).

2. SCOPE AND LIMITATIONS

2.1. Scope

The scope of the procedures we undertook in forming our opinion on whether the NEXTDC Offer is fair and reasonable to APDC Securityholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

Our assessment involved determining the fair market value of various securities, assets and liabilities. For the purposes of our opinion, the term fair market value is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

2.2. Summary of regulatory requirements

There is no statutory requirement for the Directors of APDC to commission an IER in relation to the NEXTDC Offer. However, the Directors of APDC have requested that BDO prepare an IER stating whether, in BDO's opinion, the NEXTDC Offer is fair and reasonable to Securityholders.

In preparing our IER, we have considered the requirements of:

- RG 111 Content of expert reports
- RG 112 Independence of experts.

2.3. Basis of evaluation

RG 111 establishes guidelines in respect of independent expert.

RG 111 establishes two distinct criteria for an expert analysing a control transaction. The tests are:

- Is the offer 'fair'?
- Is it 'reasonable'?

2.3.1. Fairness

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The value of the securities the subject of the offer is determined assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

In relation to the interpretation of RG111.11, the appropriate assessment is to compare:

- The fair market value of a security pre-transaction on a control basis (being the value of the securities the subject of the offer per RG111.11); and
- The cash consideration offered by NEXTDC.

The basis for the above form of comparison is to ensure our analysis is in line with RG111.5 to RG111.7 which includes statements as follows:

- The main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the NEXTDC Offer.
- The form of analysis an expert uses to evaluate a transaction should address the issues faced by Securityholders.

The NEXTDC Offer is fair if the cash consideration offered by NEXTDC is equal to or greater than the fair market value of an APDC security before the NEXTDC Offer (including a premium for control).

2.3.2. Reasonableness

In accordance with paragraph 12 of RG 111, an offer is 'reasonable' if it is 'fair'. An offer could be considered 'reasonable' if there are valid reasons to approve it (in the absence of any higher bid before the close of the offer), notwithstanding that it may not be regarded as 'fair'.

RG 111.13 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer, including:

- The bidder's pre-existing voting power in securities in the target.
- Other significant security holding blocks in the target.
- The liquidity of the market in the target's securities.
- Taxation losses, cash flow or other benefits through achieving 100% ownership of the target.
- Any special value of the target to the bidder, such as particular technology, the potential to write off outstanding loans from the target, etc.
- The likely market price if the offer is unsuccessful.
- The value to an alternative bidder and likelihood of an alternative offer being made.

2.3.3. General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the NEXTDC Offer. In preparing the IER we considered the necessary legal requirements and guidance of the Corporations Act, ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- Particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO East Coast Partnership or BDOCF and any of the parties to the NEXTDC Offer.
- The nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER.
- We have been appointed as independent expert for the purposes of providing an IER for the Target's Statement.
- That we have relied on information provided by the Directors and management of APDC and that we have not carried out any form of audit or independent verification of the information provided.
- That we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

2.4. Special value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the particular potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

2.5. Reliance on information

This IER is based upon financial and other information provided by the Directors and management of APDC. We have considered and relied upon this information. Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the NEXTDC Offer is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management the information was evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

Under the terms of our engagement, APDC has agreed to indemnify BDOCF and BDO East Coast Partnership, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

2.6. Limitations

We acknowledge that this IER may be lodged by the Directors with regulatory and statutory bodies and a summary of this IER will be included in the Target's Statement to be sent to the APDC Securityholders. The Directors acknowledge that our IER has been prepared solely for the purposes noted in the Target's Statement and accordingly we disclaim any responsibility from reliance on the IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER, in whole or in part, should be reproduced without our prior written consent, including as to the form and context in which it may appear.

It was not our role to undertake, and we have not undertaken any commercial, technical, financial, legal, taxation or other due diligence, or other similar investigative activities in respect of APDC. We understand that the Directors have been advised by legal, accounting, tax and other appropriate advisors in relation to such matters as necessary. We provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Directors or their advisors.

We note that the IER does not deal with the individual investment circumstances of APDC Securityholders and no opinion has been provided in relation to same. Some individual APDC Securityholders may place a different emphasis on various aspects of the NEXTDC Offer from that adopted in our IER. Accordingly, individuals may reach different conclusions on whether or not the NEXTDC Offer is fair and reasonable. An individual APDC Securityholder's decision in relation to the NEXTDC Offer may be influenced by their particular circumstances and, therefore, APDC Securityholders are advised to seek their own independent advice.

Apart from the IER, we are not responsible for the contents of the Target's Statement or any other document. We have provided consent for inclusion of the IER in the Target's Statement. Our consent and the Target's Statement acknowledge that we have not been involved with the issue of the Target's Statement and that we accept no responsibility for the Target's Statement apart from the IER.

2.7. Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER including:

- Assumptions outlined in the valuation sections.
- That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed.
- Information sent out in relation to the NEXTDC Offer to APDC Securityholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects.
- Publicly available information relied on by us is accurate, complete and not misleading.
- The terms and conditions of the NEXTDC Offer are as set out in the Bidder's Statement.

3. PROFILE OF APDC

3.1. Overview

APDC is a real estate investment trust (REIT) which commenced trading on the ASX on 9 January 2013. APDC holds a portfolio of interests in three data centre properties in Melbourne (M1), Sydney (S1) and Perth (P1) in Australia, which are developed and operated by NEXTDC.

APDC's objective is to provide Securityholders with income sourced from rental income earned from its data centres and the potential for capital growth. APDC's investment properties comprise the land and buildings, including essential building service improvements but excluding tenant fit out plant and equipment and specialised data hall or data centre technical improvements.

The land and buildings in APDC's current portfolio are leased on long term, triple net terms to NEXTDC, with all maintenance, taxes, insurance and outgoings paid by NEXTDC as the tenant. The current lease agreements provide for uplift only annual CPI rental increases and market reviews in every fifth year, not exceeding 110% of the prior year's rent.

Per the audited 30 June 2017 financial accounts, APDC's property portfolio consisting of M1, S1 and P1 was independently valued at $212.8 million ($187 million 30 June 2016).

3.2. Property portfolio

3.2.1. M1

The M1 property is comprised of a data centre that was completed in August 2012. The property includes a gross lettable area of 17,354 square metres, providing approximately 6,000 square metres of technical area.

Table 3: M1 data centre property details

Property Details	
Location	826-846 Lorimer Street, Port Melbourne
Metro Area	Melbourne CBD
Year Built/Refurbished	2012
Site Area	14,300 sqm
Lettable Area	17,354 sqm
Maximum IT load	15 megawatts (MW); power density of 1,500 watts per square metre of data hall area
Car Parking Spaces	Nil bays
Ownership	Asia Pacific Data Centre Trust
Independent valuation 30 June 2017	$80 million
Original lease end date	20 December 2027
Lease renewal	25 year renewal option comprising: 2 x 10 year plus 1 x 5 year options for renewal
Lease duration	10.47 years

Source: Independent property valuations prepared by Jones Lang Lasalle.

3.2.2. S1

S1 Data Centre is comprised of a Tier III Data Centre that was completed in 2013 and is purpose built. The building extends over a total of six levels and contains a mix of existing data halls, plant rooms, loading docks, office areas, meeting and breakout rooms.

The property is located within the established hi-tech business park of Macquarie Park, which is an area administered by the City of Ryde Council, approximately 15 kilometres by road north-west of Sydney GPO.

Table 4: S1 data centre property details

Property Details	
Location	4 Eden Park Drive, Macquarie Park NSW
Metro Area	North West Sydney
Year Built/Refurbished	2013
Site Area	9,642 sqm
Lettable Area	19,984 sqm
Maximum IT load	11.5 megawatts (MW)
Car Parking Spaces	27 bays
Ownership	Asia Pacific Data Centre Trust
Independent valuation 30 June 2017	$95.3 million
Original lease end date	14 May 2028
Lease renewal	25 year renewal option comprising: 2 x 10 year plus 1 x 5 year options for renewal
Lease duration	10.87 years

Source: Independent property valuations prepared by Jones Lang Lasalle.

3.2.3. P1

P1 Data Centre comprises a modern 3 level data centre located in the northern industrial suburb of Malaga approximately 12 kilometres from the Perth CBD. The property is a high quality facility designed to accommodate the specific needs of NEXTDC customers with high levels of security, plant and technology a feature of the base build and fit out of the asset.

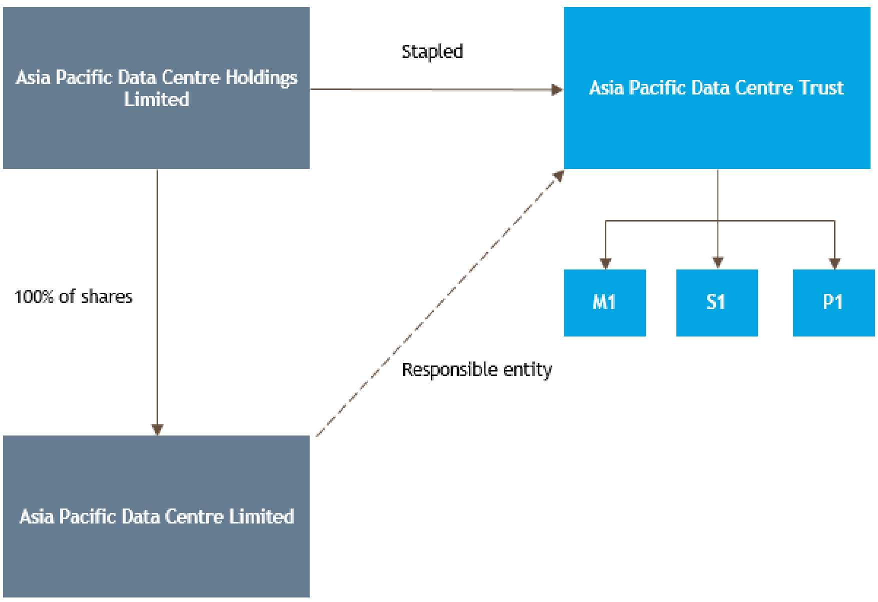
Table 5: P1 data centre property details

Property Details	
Location	101 Malaga Drive, Malaga, WA
Metro Area	Perth CBD
Year Built/Refurbished	2013
Site Area	8,091 sqm
Lettable Area	9,555 sqm
Maximum IT load	6 megawatts (MW)
Car Parking Spaces	28 bays
Ownership	Asia Pacific Data Centre Trust
Independent valuation 30 June 2017	$37.5 million
Original lease end date	28 November 2028
Lease renewal	First option term: 10 years Second option term: 10 years Third option term: 5 years
Lease expiry	11.41 years

Source: Independent property valuations prepared by Jones Lang Lasalle.

3.3. Corporate Structure

Figure 2: Corporate structure



Source: Management information

3.4. Directors and management

The current board of directors consists of four members as listed below.

Table 6: Directors and key management personnel

Director's name	Capacity
Ian Fraser	Independent Non-Executive Chairman
Chris Breach	Independent Non-Executive Director
Francina Turner	Executive Director, CEO and Company Secretary
John Wright	Independent Non-Executive Director

Source: Annual financial report for the year ended 30 June 2017

3.5. Management and other fees

The responsible entity is entitled to fees under the Service and Access to Business Premises Agreement. Additionally, a compliance services agreement has also been established between APDC and an external provider. We have provided a summary of the key terms of both contracts below.

Table 7: Summary Service and Access to Business Premises Agreement

Terms of contract	Description
Parties	Asia Pacific Data Centre Limited (Principal) and Asia Pacific Data Centre Holdings Limited (Service Provider)
Fees	The Principal agrees to pay the Service Provider fees for the provision of the services, staff and equipment at rates to be agreed between the parties from time to time. The fees must not exceed the cost price incurred by the Service Provider
Time of payment	The Principal must pay for the provision of the services, staff and equipment upon receipt of an invoice for them from the Service Provider

Source: Service and Access to Business Premises Agreement dated 3 December 2012

We note that if the Principal ceases to carry on the Business, this agreement will terminate immediately. This agreement terminates immediately upon the Service Provider:

- entering into liquidation voluntarily or otherwise (except for the purpose of amalgamation or reconstruction);
- passing any resolution which might result in a winding up;
- having a receiver of its property appointed.

This agreement may be terminated at the option of the Principal if a petition for the winding up of either the Principal or the Service Provider is presented. Either of the Principal or the Service Provider may be given a minimum of three months' written notice to the other party to terminate this agreement upon expiration of the period specified in the notice. If no period is specified in the notice, then this agreement terminates on the date three months after the date of the notice.

Table 8: Summary of Compliance Services Agreement

Terms of contract	Description
Parties	Asia Pacific Data Centre Holdings Limited (Client) and Financial Services Consulting Pty Ltd (Service Provider)
Effective Date	14 November 2012
Fees	$3,000 (excl. GST) per month or part thereof; and $2,250 (excl. GST) per month for the first twelve months immediately following the effective date
Services provided	The provision of services is to assist the Client to carry out its compliance duties and fulfil its obligations under its AFS Licence in relation to the Scheme/s which it operates as responsible entity

Source: Compliance Services Agreement dated 14 November 2012

We note that, as outlined in the agreement, the fee to be paid by the Client to the Service Provider will be subject to annual Average Weekly Ordinary Time Earnings (AWOTE) indexation or indexation of 5% whichever is greater on the anniversary of the Effective Date and each subsequent anniversary date unless agreed otherwise in writing between the parties. Where the review date falls part way through a month, the indexation shall apply from the start of that month.

3.6. Historical financial information

3.6.1. Financial performance

The historical audited income statements of APDC are set out in the table below.

Table 9: Statements of financial performance of APDC

$'000	Notes	FY14	FY15	FY16	FY17
Property rental income	1	11,608	12,966	13,209	13,393
Net gain on revaluation of investment properties	2	11,988	15,600	20,700	25,800
Interest income		118	114	111	86
Total income		**23,714**	**28,680**	**34,020**	**39,279**
Operating expenses	3	1,116	1,087	1,121	1,199
Interest and finance expenses		843	1,434	1,235	1,178
Total expenses		**1,959**	**2,521**	**2,356**	**2,377**
Net profit		**21,755**	**26,159**	**31,664**	**36,902**
KPIs					
Securities on issue (value)		115,000,100	115,000,100	115,000,100	115,000,100
Net profit per security		0.19	0.23	0.28	0.32
Growth in total income		n/a	20.9%	18.6%	15.5%
Net profit % total income		91.7%	91.2%	93.1%	93.9%

Source: Audited annual reports FY14, FY15, FY16 and FY17.

Notes to the above income statements are detailed below:

1. Property rental income relates to rental income from the three investment properties leased under an operating lease, recognised on a straight-line basis over the lease term.
2. The net gain on revaluation of investment properties relates to fair value adjustments to the properties. This is assessed by the Directors with reference to the most recent independent valuation for that property.
3. Operating expenses relate to administration expenses, audit and taxation fees, compliance expenses, Directors' fees, employee expenses, interest expense, valuation fees and other expenses.

3.6.2. Historical statements of financial position

The historical audited statements of financial position of APDC are set out in the table below.

Table 10: Statements of financial position of APDC

$'000	Notes	FY14	FY15	FY16	FY17
Cash and cash equivalents		5,308	5,507	5,814	7,098
Trade and other receivables		56	-	2	1
Security deposit held		8	9	8	8
Prepayments		27	26	24	25
Total current assets		**5,399**	**5,542**	**5,848**	**7,132**
Investment properties	1	150,700	166,300	187,000	212,800
Property, plant and equipment		2	1	1	-
Deferred tax asset		15	15	15	15
Total non-current assets		**150,717**	**166,316**	**187,016**	**212,815**
Total assets		**156,116**	**171,858**	**192,864**	**219,947**
Trade and other payables	2	741	672	700	1,992
Distribution payable	3	2,588	2,645	2,794	2,794
Provisions		20	13	14	14
Total current liabilities		**3,349**	**3,330**	**3,508**	**4,800**
Interest bearing liabilities	4	24,705	24,772	24,838	24,905
Derivatives	5	393	624	637	363
Total non-current liabilities		**25,098**	**25,396**	**25,475**	**25,268**
Total liabilities		**28,447**	**28,726**	**28,983**	**30,068**
Net assets		**127,669**	**143,132**	**163,881**	**189,879**
Contributed equity		1,150	1,150	1,150	1,150
Asset revaluation reserve		-	-	-	-
Cashflow hedge reserve		-	-	-	-
Total equity attributable to Securityholders of APDC Holdings/Trust		1,150	1,150	1,150	1,150
Non-controlling interest attributable to APDC Trust		126,519	141,982	162,731	188,729
Total equity		**127,669**	**143,132**	**163,881**	**189,879**
KPIs					
Number of securities on issue		115,000,100	115,000,100	115,000,100	115,000,100
NTA per security ($)		$1.11	$1.24	$1.43	$1.65

Source: Audited annual reports FY14, FY15, FY16 and FY17.

Notes to the above statements of financial position are detailed below:

1. APDC's three investment properties were independently valued by Jones Lang Lasalle as at 30 June 2017, resulting in a reported portfolio fair value of $212.8 million ($187 million FY16).
2. Trade and other payables relate primarily to accrued interest, GST payable and rent in advance.
3. Distribution payable as at 30 June 2017 represents the liability relating to the distribution payable of 2.43 cents per security declared on 26 June 2017.
4. Interest bearing liabilities comprise the Bankwest commercial loan and unamortised finance costs. APDC Trust has a five-year facility with Bankwest to provide the group with up to $29 million of asset-secured debt funding. At 30 June 2017, $25 million of the facility was drawn (Core Debt). See Section 3.7.2 for further details.
5. Fair value of financial derivatives relates to interest rate swaps. APDC Trust has an interest rate swap agreement to fix the floating interest rate component for $12.5 million of its Debt Facility (50% of the drawn Core Debt amount) for five years. The fixed rate on the interest rate swap is 3.94% per annum. The interest rate swap is measured at fair value based on the mark to market value quoted for the forward interest rate swaps.

3.7. Capital structure and ownership

3.7.1. Ownership

As of 15 August 2017, APDC had 115,000,100 securities on issue. The top 10 Securityholders as at that date are as follows:

Table 11: Top 10 Securityholders

Rank	Securityholder	Securities Outstanding	% ownership
1	NEXTDC Limited	23,889,090	20.77%
2	360 Capital FM Limited	22,980,000	19.98%
3	National Nominees Limited	8,685,963	7.55%
4	HSBC Custody Nominees (Australia) Limited	5,148,271	4.48%
5	Citicorp Nominees Pty Ltd	3,871,468	3.37%
6	JP Morgan Nominees Australia Limited	3,443,863	2.99%
7	BNP Paribas Noms Pty Ltd	3,054,485	2.66%
8	Aust Executor Trustees Ltd	2,054,555	1.79%
9	HGT Investments Pty Ltd	2,000,000	1.74%
10	UBS Nominees Pty Ltd	1,306,681	1.14%
Top ten subtotal		**76,434,376**	**66.46%**
Other Securityholders		38,565,724	33.5%
Total securities outstanding		**115,000,100**	**100%**

Source: APDC Securityholder Register as at 15 August 2017

The top 10 Securityholders own a total equity interest of approximately 65.68%. NEXTDC Limited holds approximately 20%.

3.7.2. Interest bearing liabilities

APDC Trust has a five-year facility with Bankwest to provide the Group with up to $29 million of asset-secured debt funding (Debt Facility). The Debt Facility matures on 28 November 2018 and is secured by a mortgage over the S1 Sydney data centre asset. The Debt Facility comprises a cash advance facility with a maximum limit of $25 million and a multi option facility with a maximum limit of $4 million. At 30 June 2017, $25 million of the facility was drawn (Core Debt) and there were no drawdowns against the multi option facility. The Debt Facility is a variable rate loan with interest charged at 1.50% above the Bank Bill Swap Rate.

Key terms of the interest bearing debt facilities are as follows:

Table 12: Cash advance facility terms

Terms	
Facility limit	$25 million
Maturity date	29 November 2018
Margin	1.5% per year unless the Financier has agreed to a Draw having a Draw Period of less than 3 months, in which case the Margin in respect of that Draw will be 1.7%
Interest rate	Australian Bank Bill Swap Rate plus the margin
ICR required	ICR of at least 2:1 on a 12 month rolling basis
LVR required	LVR of no more than 50%
Line fee	N/A

Source: Facility Agreement and First Variation Deed

Table 13: Multi-option facility terms

Terms	
Facility limit	$4 million
Maturity date	29 November 2018
Margin	1.5% per year unless the Financier has agreed to a Draw having a Draw Period of less than 3 months, in which case the Margin in respect of that Draw will be 1.7%
Interest rate	Australian Bank Bill Swap Rate plus the margin
ICR required	ICR of at least 2:1 on a 12 month rolling basis
LVR required	LVR of no more than 50%
Line fee	A line fee accrues 0.25% per year on the facility limit payable each quarter in advance

Source: Facility Agreement and First Variation Deed

4. INDUSTRY OVERVIEW

4.1. A-REIT sector

A-REITs are investment trust vehicles which provide investors with exposure to property assets and can be diversified across geographic locations, lease duration and tenant types. Some A-REITs specialise in sectors and are generally categorised as one of the following:

Table 14: Types of REITs

Sector	Investment Types
Industrial Trusts	Invest in warehouses, factories and industrial parks
Office Trusts	Invest in medium to large scale office buildings in and around major cities
Hotel and Leisure Trusts	Invest in hotels, cinemas and theme parks
Retail Trusts	Invest in shopping centres and similar assets
Diversified Trusts	Invest in a combination of industrial, offices, hotels and retail real estate assets

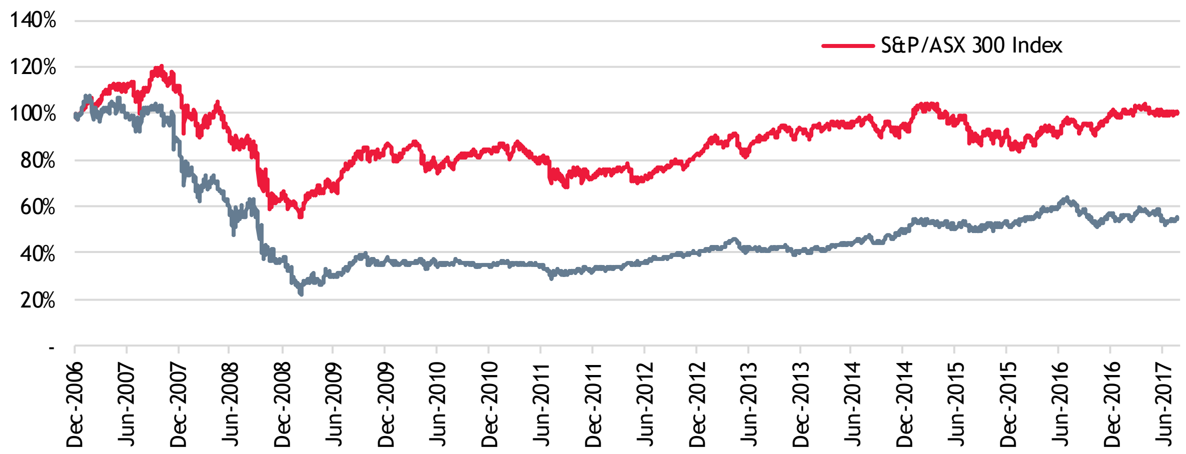
Source: ASX

Another category of trusts adopts hybrid structures known as stapled securities funds. These A-REITs provide investors with additional exposure to a funds management and/or a property development company. In acquiring one trust unit, an investor is also entitled to one share in the funds management company; this is known as 'stapled securities' and cannot be traded separately.

A-REITs enable investors to capitalise on the value of real estate assets and regular rental income. Additionally, it provides individual investors an opportunity to invest in large-scale property assets which would otherwise not be possible.

4.1.1. Historical Performance

The figure below illustrates the performance of the ASX 300 Index compared with the A-REIT 300 Index since 31 December 2006 to 30 June 2017.



The ASX 300 Index reached its all-time high in February 2007. Following this period, the AREIT Index heavily underperformed the broader market as the global financial crisis (GFC) began to have a negative impact on the industry. During this period, property devaluations, reduced yields and stricter gearing and lending conditions had a significant impact on the sector, in particular A-REITs with higher levels of gearing. Following the height of the GFC, A-REITs have repaired their balance sheets through capital raising and sales of non-core assets with the sector's performance largely in line with the broader market.

4.1.2. Specialty REIT sectors

Specialty REITs invest in real estate beyond traditional sectors such as residential, office, industrial and retail. Following the Global Financial Crisis, there has been a strong recovery and robust growth in many traditional diversified REITs. One of the key drivers of this growth is the emergence of specialty REITs which include companies that own data centres, healthcare properties, self-storage facilities, life sciences buildings, aged care facilities, agricultural land or metropolitan office assets.

In recent times, specialty REITs have experienced strong dividend yields due to a growing economy and changing demographic trends such as an ageing population. This has driven significant demand for specialty REITs which benefit more from factors that have an impact on specific businesses. Additionally, specialty REITs provide greater diversification and liquidity for investors. However, one of the key risks associated with this type of REITs is tenant dominance. The withdrawal of one tenant can have a large adverse impact on REIT performance. The nature of specialty REITs also exposes them to any specific and unpredictable regulatory changes.

Other than APDC, specialist A-REITs listed on the ASX include the following:

- **Arena REIT**

  Arena REIT invests in the real estate markets of Australia, primarily in sectors such as childcare, healthcare, education and government tenanted facilities. Their current portfolio, consisting of over 200 social infrastructure facilities, is 100% leased to a diversified tenant base in the growing childcare and healthcare sectors.

- **Folkestone Education Trust**

  Folkestone Education Trust is the largest Australian ASX listed A-REIT that invests in early learning properties. It is externally managed by Folkestone Investment Management Limited and has an asset value of $903.3 million as at 30 June 2017. Their current portfolio consists of 407 properties including development sites.

- **Generation Healthcare REIT**

  Generation Healthcare REIT is an Australian healthcare REIT which invests primarily in healthcare related properties including hospitals, specialist medical office buildings, medical centres, rehabilitation facilities, and other purpose-built healthcare facilities. Their portfolio consists of 16 properties across Victoria, Queensland and New South Wales, with a total asset value of $621 million.

- **Ingenia Communities Group**

  Ingenia Communities Group is an independent real estate investment trust which invests across Australia, Canada, New Zealand and the United States. Their primary focus is to invest, manage and develop seniors housing communities as well as student housing communities.

- **ALE Property Group**

  ALE Property Group is the owner of Australia's largest portfolio of freehold pub properties. ALE owns a portfolio of approximately 86 pub properties across the five mainland states of Australia. All of the properties are leased to Australian Leisure and Hospitality Group Limited.

- **National Storage REIT**

  National Storage REIT engages in the ownership and operation of self-storage centres in Australia and New Zealand. The REIT owns approximately 105 self-storage centres and offers services such as business storage, records management, climate controlled wine storage, vehicle storage and insurance. The company provides its solutions to approximately 35,000 residential and commercial customers.

4.2. Data storage services industry

The data storage services industry in Australia encompasses companies which primarily provide electronic information storage and retrieval services. Data storage service providers allow users to upload, download, back up and gain access to their files and systems on servers which are managed by third parties.

According to IBISWorld, the industry has performed relatively well over the past five years predominantly due to growing internet usage, an increasing popularity in cloud computing and a rising trend in outsourcing data storage. One of the main drivers of increasing outsourcing of data storage is the high level of capital expenditure required to maintain in-house servers which has bolstered demand for data storage services. In the year 2015-16, revenue stood at $1,812.8 million, reflecting an increase of 17.7% from the previous year.

Some of the key users of data storage services include information media and telecommunication industries which store and process significant amounts of data as part of their business operations. The public sector also requires a high level of data storage, particularly healthcare providers. The demand for data storage services will be contingent on the level of capital expenditure by the public sector. Additionally, the number of internet connections will also drive the demand for data storage services as a higher traffic flow represents a higher demand for cloud storage services.

One of the key risks to companies outsourcing data storage services is the passing of sensitive information to a third party to maintain. Trust and privacy issues are paramount concerns, particularly in the public sector, insurance companies and financial institutions. Despite this, IBISWorld forecasts industry revenue to increase at an annualised 16.5% over the five years through 2016-17, driven primarily an awareness of cost savings and rapid technological change. It is also expected that the data storage services industry will remain highly competitive over the next five years.

5. FAIRNESS ASSESSMENT AND VALUATION METHODOLOGY

5.1. Fairness assessment overview

The NEXTDC Offer is fair if the fair market value of the cash consideration offered by NEXTDC is equal to or greater than the fair market value of an APDC security before the NEXTDC Offer (including a premium for control).

Accordingly, to undertake this comparison we have undertaken an assessment of the value of an APDC security before the NEXTDC Offer.

The valuation methods commonly used for the above analyses are considered below.

5.2. Valuation methods

Details of common methodologies for valuing businesses and assets are included at **Appendix 3**. The principal methodologies which can be used are as follows:

- Discount cash flow (DCF)
- Capitalisation of maintainable earnings (COE)
- Net asset value (NAV)
- Net tangible assets on a realisation basis (NRV)
- Quoted market price basis (QMP).

Set out below is a discussion around the valuation methods we consider appropriate for the purposes of undertaking our valuation assessment of APDC.

5.3. Selected valuation methods for APDC

In accordance with RG 111.15, we have considered the fair market value of an APDC security on the basis of a knowledgeable and willing, but not anxious, seller that is able to consider alternative options to the bid.

We have assessed the equity value of an APDC security using the NAV method and QMP method. We have chosen these methodologies for the following reasons:

- REITs are primarily passive investment vehicles with the majority of their value determined by the underlying property assets they hold. Therefore, REITs are commonly valued using the NAV approach, which involves aggregating the market value of the individual assets and liabilities.
- As described in section 8.1 of this report we have analysed the liquidity APDC, which was 29% for the 12 months ended 30 April 2017. Given the stock's liquidity, the QMP method is considered a reliable valuation method.

5.4. NAV method

The NAV approach is considered appropriate where the majority of assets consist of cash or passive investments such as property. The assets and liabilities of the relevant entity under this approach are valued at fair market value and the net value forms the basis for the entity's value.

We have assessed the fair market value of APDC's net assets based on a "sum-of-parts" approach starting with the assets and liabilities set out in APDC's audited statement of financial position as at 30 June 2017 and adjusting for expected movements to 15 September 2017, being the date the NEXTDC Offer closes (Pro Forma).

The following assets and liabilities have been assessed independently and then aggregated to arrive at the equity value (on a control basis) of APDC:

- We have assessed the fair market value of assets and liabilities of APDC and, where applicable, adjusted the 30 June 2017 balance of certain assets and liabilities where there have been material movements post 30 June 2017; and
- The capitalised cost of the ongoing operating and overhead costs that would be incurred in relation to the management of the Fund.

5.5. QMP analysis

APDC is listed on the ASX and has sufficient market history for a quoted market price (QMP) valuation.

After analysis of the ASX quoted market price we derived a fair market value range, which reflects a minority interest price for an APDC security. A control premium is applied to the minority value to arrive at a control value. A detailed presentation of the daily movement in APDC's security price and volumes traded during the past year is outlined in Section 7.2.

In assessing APDC's security price performance on the ASX we have had particular regard to the following:

- The level of trading activity of the APDC securities (i.e. the volume of trades in the market as a percentage of the total securities and the frequency of the trades);
- The value of the trading activity and number of days of trading activity; and
- Recent key developments and market announcements.
- We have reviewed the following factors relating to the trading activity of APDC securities on the ASX:
- The daily high, low and closing security price of trades;
- The daily volume of the trades;
- The volume weighted average price (VWAP); and
- The total value of securities traded.

5.6. Other valuation considerations

5.6.1. Future events

The business of APDC assumed in this valuation, is that which exists at the current date.

Future growth which arises from an increase of income generated by each property asset has been considered in this valuation through our consideration of the fair market value of each property.

Other growth potential, which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of this valuation.

5.6.2. Control premium

We note that the NAV method is inherently a control based valuations while the QMP valuation method assesses the value of minority interest. Therefore, we have applied a premium for control in the QMP method only. Refer to section 7.3 where this has been discussed in further detail.

5.6.3. Valuation in accordance with APES 225

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

6. NAV VALUATION OF APDC BEFORE THE NEXTDC OFFER

6.1. Net asset value of APDC prior to the NEXTDC Offer

The fair market value of APDC's net assets is primarily based on a "sum-of-parts" assessment of APDC's assets and liabilities set out in APDC's audited statement of financial position as at 30 June 2017. The following assets and liabilities have been assessed independently, and then aggregated to arrive at the equity value (on a control basis) of APDC:

We have assessed the valuation based on APDC's net tangible assets (NTA) as at 30 June 2017, which reflects the fair market value of APDC's property portfolio, the carrying value of other assets, interest bearing liabilities and other liabilities.

To assist our analysis, Management has also provided unaudited management accounts for the financial period ended 31 July 2017 and the independent property valuation reports dated 30 June 2017 for each property.

As a result of our review of the available financial information, we have made the following adjustments as part of the NAV valuation:

- Recognition of the capitalised ongoing operating and overhead costs in relation to the management of APDC.
- Recognition of the accumulated cash that APDC could earn as a result of its ongoing trading up to the closing date of the NEXTDC Offer.

Our assessment of the fair market value of APDC on a control basis, prior to the NEXTDC Offer, is set out below:

Table 15: NAV valuation summary of the fair market value of APDC securities prior to the NEXTDC Offer

$'000	Low	High
Reported NTA value as at 30 June 2017	189,879	189,879
Accrued cash	-	2,338
Capitalised overheads	(9,600)	(9,600)
Equity value - 100% controlling interest	**180,279**	**182,617**
Per security		
Securities on issue	115,000,100	115,000,100
Value per security ($) - 100% controlling interest	**1.57**	**1.59**

Source: Audited annual reports (FY17), property valuation reports, information from management and BDOCF analysis

Based on the above, we have estimated the fair market value of a APDC security, using a NAV valuation methodology on a control basis, to be between $1.57 and $1.59 per security.

6.2. Ex distribution valuation

The Offer price represents an ex-distribution price as the Offer price of $1.87 is payable to the Securityholders in addition to the 2.43 cents per share distribution declared on 26 June 2017 and payable by 28 August 2017.

The equity value of an APDC security calculated under the NAV method includes a liability of $2,794k (for the distribution of 2.43 cents) and is therefore an ex-distribution valuation. The NAV valuation and Offer Price are therefore on a consistent basis.

6.3. Pro forma statement of financial position

We have made adjustments to the reported balance sheet of APDC as at 30 June 2017 in order to reflect material movements (advised to us by management) which are likely to occur up to 15 September.

We have reviewed each of the independent valuations performed by the independent property valuers as at 30 June 2017.

Based on this review, we are of the opinion that:

- Each valuer was independent.
- The engagement instructions were appropriate, with no limitations of scope; and
- The valuation methods adopted were appropriate and consistent with those generally applied in the industry.

On this basis, we consider the valuations for the investment properties are not unreasonable and therefore appropriate for our analysis.

Table 16: Pro forma statement of financial position

$'000	Notes	Audited FY17	Valuation adjustments Low	NAV Low	Valuation adjustments High	NAV High
Cash and cash equivalents	1	7,098	-	7,098	2,338	9,436
Trade and other receivables		1	-	1	-	1
Security deposit held		8	-	8	-	8
Prepayments		25	-	25	-	25
Total current assets		**7,132**	**-**	**7,132**	**2,338**	**9,470**
Investment properties		212,800		212,800	-	212,800
Property, plant and equipment		-	-	-	-	-
Deferred tax asset		15	-	15	-	15
Total non-current assets		**212,815**	**-**	**212,815**	**-**	**212,815**
Total assets		**219,947**	**-**	**219,947**	**2,338**	**222,285**
Capitalised overheads	2	-	9,600	9,600	9,600	9,600
Trade and other payables		1,992	-	1,992	-	1,992
Distribution payable		2,794	-	2,794	-	2,794
Provisions		14	-	14	-	14
Total current liabilities		**4,800**	**9,600**	**14,400**	**9,600**	**14,400**
Interest bearing liabilities		24,905	-	24,905	-	24,905
Derivatives		363	-	363	-	363
Total non-current liabilities		**25,268**	**-**	**25,268**	**-**	**25,268**
Total liabilities		**30,068**	**9,600**	**39,668**	**9,600**	**39,668**
Net assets		**189,879**	**(9,600)**	**180,279**	**(7,262)**	**182,617**

Source: Audited annual reports (FY17), property valuation reports, information from management and BDOCF analysis

We have made the following adjustments to the reported statement of financial position of APDC as at 30 June 2017:

1. Recognition of the accumulated cash that APDC could earn as a result of its ongoing trading up to the closing date of the NEXTDC Offer on 15 September 2017.
2. Adjusted the NAV by the value of capitalised corporate overheads. Refer to section 6.4 for detail.

We note that the Distribution payable balance reflects the liability relating to the distribution payable of 2.43 cents per security declared on 26 June 2017. Therefore, the NAV valuation is on an ex-distribution basis.

6.4. Capitalised corporate overheads

NAV does not reflect the full costs associated with being a listed investment vehicle. APDC incurs corporate overheads as part of its operating structure. The ongoing corporate overheads of APDC are not included in the fair market value of the entity's net assets as recorded in the balance sheet.

In assessing the value of APDC on a continuing operations basis, an appropriate "capitalised allowance" for corporate overheads has been determined.

A summary of corporate overheads incurred historically is provided below:

Table 17: Breakdown of corporate overheads for FY15, FY16 and FY17

$'000	FY15	FY16	FY17
Administration expenses	150	146	156
Audit and taxation fees	105	96	98
Compliance expenses	101	102	101
Directors' fees	215	215	215
Employee expenses	340	407	385
Other expenses	133	128	215
Valuation fees	43	27	29
Total expenses	**1,087**	**1,121**	**1,199**

Source: Audited annual reports FY15, FY16 and FY17

As APDC currently employs an internal management structure whereby APDC Limited will charge APDC Trust on a cost recovery basis for the direct trust expenses and operating expenses of APDC Holdings and APDC Limited. A potential acquirer of APDC is not expected to be able to reduce these costs materially and therefore they are considered to be an appropriate measure of the on-going operating expenses.

The future liability for these costs are not recorded within the net assets of APDC and should be allowed for in our NAV valuation as they are costs incurred in continuing to operate as a REIT.

We have capitalised these costs by applying a multiple of 8.0x. This is broadly consistent with both the multiples typically utilised for corporate overheads in relation to A-REITs and the multiples utilised in independent expert reports of this nature in relation to A-REITs.

Based on our analysis of the historic operating costs (between $1.0 million to $1.2 million historically) and Management's estimation of FY18 corporate overheads of $1.23 million, we estimate the on-going corporate to be $1.2 million per annum. These on-going overheads are representative of what a likely acquirer of APDC would incur post acquisition.

A summary of our analysis is tabled below:

Table 18: Capitalised corporate overheads

$'000	Low	High
Ongoing operational overheads	1,200	1,200
Capitalisation multiple (times)	8.0	8.0
Capitalised overheads	**9,600**	**9,600**

Source: BDO analysis, management information and management accounts

On this basis, we have included in the valuation of APDC, capitalised corporate overheads of $9.6 million as a deduction from the reported net assets.

We would consider that the value of capitalised overheads should not be greater than the cost of realisation of the assets of the Group. As part of our assessment of an appropriate level of capitalised corporate overheads we have compared the capitalised corporate overheads against the reasonable costs that would be incurred in a wind up of the Group. As a result, we consider the capitalised corporate overheads assessment to be reasonable.

6.5. Securities outstanding

There are currently 115,000,100 securities on issue in APDC (refer to Section 3.7).

7. QMP VALUATION OF APDC BEFORE THE NEXTDC OFFER

APDC is listed on the ASX and has sufficient market history for an ASX market price valuation. In order to assess the fair value, we have considered the movement in APDC's security price, VWAP and volumes traded during the past year.

After the analysis of the ASX quoted market price we have derived a fair market value range, which reflects a minority inherent price for an APDC security. This is then adjusted for a control premium in order to determine APDC's equity value on a control basis.

In assessing APDC's security price performance on the ASX we have had particular regard to the following:

- The level of trading activity of the APDC securities;
- The value of the trading activity and number of days of trading activity; and
- Recent key developments and market announcements.

7.1. VWAP per APDC security

We have also considered the ASX quoted market price for APDC which reflects a minority interest price per security. The table below summarises trades over the twelve-month period to 30 April 2017. We have selected this date in order to exclude the impact of the following:

- The Offer by NEXTDC announced 31 July 2017 (i.e. the NEXTDC Offer);
- An offer by 360 Capital Group Limited announced 25 July 2017 to acquire 80.2% of APDC;
- The acquisition by NEXTDC of a significant stake (14.1%) announced 18 July 2017; and
- The acquisition by 360 Capital Group Limited of a significant stake (19.8%) announced 2 May 2017.

The VWAP analysis has been performed to 30 April 2017 to remove any impact that the above transactions and the announcement of the NEXTDC Offer may have had on the VWAP for APDC.

Table 19: VWAP history

Period	High ($)	Low ($)	VWAP ($)	Total Volume (Number of shares)	Annualised Turnover (%)	Value traded ($)
5 days to 30 Apr 2017	1.55	1.53	1.57	251,260	18.4%	392,770
15 days to 30 Apr 2017	1.55	1.52	1.53	2,968,390	81.3%	4,524,770
1 month to 30 Apr 2017	1.55	1.51	1.53	3,469,400	42.2%	5,426,740
2 months to 30 Apr 2017	1.61	1.49	1.52	4,965,940	27.2%	7,548,420
3 months to 30 Apr 2017	1.61	1.49	1.52	6,920,580	24.9%	10,682,650
6 months to 30 Apr 2017	1.61	1.41	1.51	12,603,180	22.5%	19,015,650
12 months to 30 Apr 2017	1.67	1.37	1.50	33,435,680	29.1%	50,046,470

Sources: Capital IQ; BDOCF analysis
Note 1: Annualised turnover is calculated as period turnover divided by trading days in the period, multiplied by trading days in the year.
Note 2: Value traded is calculated based on the last close price multiplied by the volume traded for each day totalled for the relevant period.
Legend: VWAP denotes volume weighted average security price.

We note the following with respect to the trading in APDC securities during the 12 months to 30 April 2017:

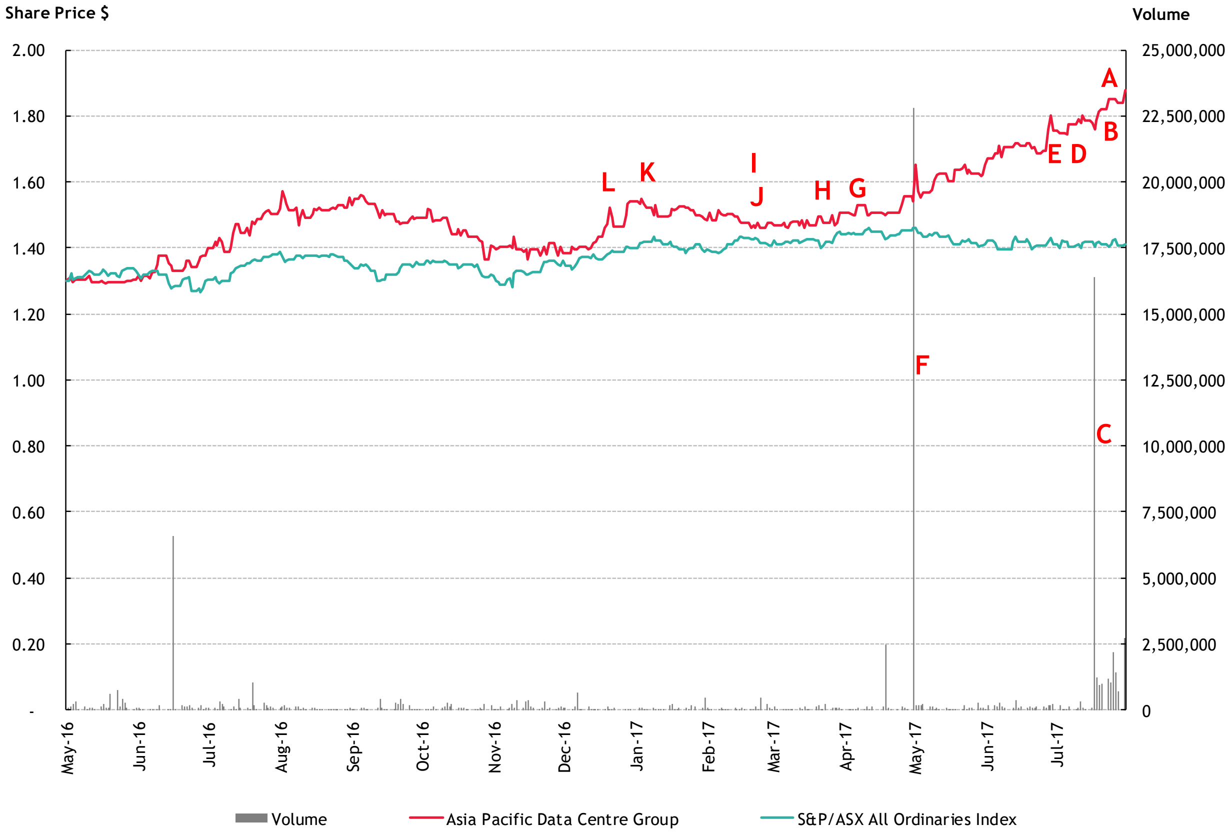
- APDC securities traded between a low of $1.37 per security on 28 October 2016 and a high of $1.67 per security on 2 August 2016. The VWAP of APDC securities remained largely stable, ranging between $1.50 and $1.57 for the periods observed which represent a price difference of 4.7%.
- We note that, although there was a significant increase in the volume of trading (81.3% annualised turnover) for the 15 days up to 30 April 2017, this period is not considered to have a material impact on the VWAP as the $1.53 VWAP is substantially in line with the 1 month and 3 month VWAP of $1.52. We have therefore not excluded this period.

- The traded volume of securities over the 12 months to 30 April 2017 was approximately 29.1% of the total weighted average number of securities on issue. We consider the volume of securities traded to be sufficiently liquid to support a secondary valuation method.
- Over the year analysed, there were a total of 252 trading days. APDC securities were actively traded for 246 of those days.

7.2. Trading price

We have analysed the share price movements of APDC since May 2016 in comparison to the S&P/ASX 200 index as well as the volume of shares traded. The recent increase in security price between May 2017 and July 2017 was largely driven by offers to acquire APDC (by NEXTDC and 360 Capital).

Figure 3: Daily closing security price and volumes



Source: CapitalIQ

We are satisfied that it is appropriate to use the VWAP prices observed historically as a comparison to the ex-distribution Offer price of $1.87.

Table 20: APDC last key developments/announcements

Notation	Date	Announcement Type	Details of Announcement
A	26 Jul 2017	M&A Transaction Announcement	NEXTDC Limited (ASX:NXT) made an offer to acquire the remaining 81.4% stake in Asia Pacific Data Centre Group (ASX:AJD) for approximately AUD 170 million.
B	25 Jul 2017	M&A Transaction Announcement	360 Capital Group Limited (ASX:TGP) offered to acquire remaining 80.2% stake in Asia Pacific Data Centre Group (ASX:AJD) from consortium of investors for AUD 170 million.
C	18 Jul 2017	M&A Transaction Closing	NEXTDC Limited (ASX:NXT) acquired 14.1% stake in Asia Pacific Data Centre Group (ASX:AJD) for AUD 29 million.
D	29 Jun 2017	Ex-Div Date (Regular)	Asia Pacific Data Centre Group, Cash Dividend of 0.0243 (AUD), ex-dividend date June 29, 2017.
E	26 Jun 2017	Dividend Affirmation	Asia Pacific Data Centre Group Announces Distribution for the Period Ending June 30, 2017, Payable on August 28, 2017
F	02 May 2017	M&A Transaction Closing	360 Capital Group Limited (ASX:TGP) acquired 19.8% stake in Asia Pacific Data Centre Group (ASX:AJD) for AUD 35.8 million.
G	30 Mar 2017	Ex-Div Date (Regular)	Asia Pacific Data Centre Group, Cash Dividend of 0.0243 (AUD), ex-dividend date Mar 30, 2017
H	16 Mar 2017	Dividend Affirmation	Asia Pacific Data Centre Group Announces Distribution for the Period Ending March 31, 2017, Payable on April 27, 2017
I	20 Feb 2017	Announcement of Earnings, Dividend Affirmation	Asia Pacific Data Centre Group Reports Consolidated Earnings Results for the Half Year Ended December 31, 2016; Provides Dividend Guidance for the Year 2017
J	20 Feb 2017	Earnings Release Date	Asia Pacific Data Centre Group to Report Q2, 2017 Results on Feb 20, 2017
K	29 Dec 2016	Ex-Div Date (Regular)	Asia Pacific Data Centre Group, 0.0243 (AUD), Cash Dividend, Dec-29-2016
L	13 Dec 2016	Dividend Affirmation	Asia Pacific Data Centre Group Announces Ordinary Dividend for the Quarter Ending December 31, 2016, Payable on February 24, 2017

Source: CapitalIQ and ASX

7.3. Premium for control

Investment fundamentals dictate that the value of 100% of an entity is normally greater than the sum of values attributable to the individual securities of that entity based on transactions of minority holdings.

The difference between the value of 100% of an entity and the total value of minority interests is referred to as a premium for control taking into account control and synergistic benefits for the acquirer.

Control of an entity by a Securityholder gives that Securityholder rights to which minority securityholders are not entitled, including control of the entity's policies and strategies, and use of cash flows.

The level of premium for control paid in a takeover bid will vary across industries and is dependent upon the specifics of the entity being acquired. We have reviewed offer prices for mergers and acquisitions relating to the acquisition of a controlling interest in A-REITs between 1 July 2014 and 6 April 2017 as follows:

Table 21: Premium for control paid by acquirers of A-REITs listed on the ASX

Announcement date	Target	Market capitalisation	Offer price	1 month VWAP	3 month VWAP	Premium to 1 month VWAP	Premium to 3 month VWAP
19/09/2014	Mirvac Industrial Trust	63.4	0.21	0.17	0.17	23%	26%
03/03/2017	Centuria Urban REIT	165.6	2.28	2.25	2.18	1%	4%
24/04/2017	Generation Healthcare REIT	503.3	2.30	2.03	1.99	13%	16%
19/12/2014	Australian Industrial REIT	216.6	2.32	2.17	2.14	7%	8%
01/07/2016	GPT Metro Office Fund	274.0	2.50	2.06	2.06	21%	21%
11/04/2014	Challenger Diversified Property	586.6	2.74	2.58	2.55	6%	7%
03/02/2015	Novion Property Group	7900.0	2.57	2.21	2.17	16%	18%
28/07/2016	Unity Pacific Group	15.8	0.47	0.39	0.39	19%	21%
Average				**1.84**	**1.82**	**14%**	**15%**
Median				**2.17**	**2.14**	**15%**	**16%**

Source: MergerMarket, CapitalIQ, Connect4 and BDOCF analysis

A control premium would typically include a premium for control as well as potential buyer specific synergies. Potential buyer specific synergies available in A-REIT transactions are typically limited to savings in management fees.

In arriving at an appropriate premium for control to apply, we note that observable data from the above research may include the following considerations:

- Level of liquidity in the trade of the target's securities.
- Varying levels of control sought.
- Synergistic value.
- Nature and magnitude of non-operating assets.
- Nature and magnitude of discretionary expenses.
- Perceived quality of existing management.
- Nature and magnitude of business opportunities not currently being exploited.
- Ability to integrate the target into the acquirer's business.

Having considered the premiums observed in Table 21 above, together with the fact that the exhibited premiums include both a control premium and synergy premium, we have considered a control premium of 10% to be appropriate to apply in the QMP valuation methodology.

A brief description of each transaction is outlined below.

- **The Acquisition of Mirvac Industrial Trust by AustFunding Pty Ltd**

Mirvac Funds Management Limited (MFML) announced on 19 September 2014 that it had entered into a Scheme Implementation Agreement with AustFunding Pty Ltd, as the responsible entity of Mirvac Industrial Trust (MIX). The agreement would result in AustFunding acquiring all the units in MIX with unitholders receiving a payment of AUD 0.214 per MIX unit.

- **Merger of Centuria Metropolitan REIT and Centuria Urban REIT**

On 3 March 2017, Centuria Property Funds Limited (CPFL), the responsible entity for Centuria Metropolitan REIT (CMA), announced that it had entered into a Scheme Implementation Agreement with Centuria Property Funds No. 2 Limited (CPF2L), the responsible entity for Centuria Urban REIT (CUA). Under the agreement, CMA and CUA will undertake a merger. CMA encompasses Centuria Metropolitan REIT No. 1 (CMR1) and Centuria Metropolitan REIT No. 2 (CMR2). The offer consideration was 0.88 CMR1 units for every 1 CUA unit held and AUD 0.23 cash payment for every 1 CUA unit held.

- **The Acquisition of Generation Healthcare REIT by NorthWest Healthcare Properties Real Estate Investment Trust**

On 24 April 2017, NorthWest Healthcare Properties REIT announced an unconditional, off-market takeover offer to acquire all outstanding units it does not already own in Generation Healthcare REIT. The cash consideration of the offer was $2.24 per Generation Unit. Generation Healthcare REIT is an Australian healthcare REIT which primarily invests in hospitals, specialist medical office buildings, rehabilitation facilities and other purpose-built healthcare facilities. It currently owns 16 properties with an asset value of approximately $621 million.

- **The Acquisition of Australian Industrial REIT by 360 Capital**

On 19 December 2014, 360 Capital as responsible entity for 360 Capital Industrial Fund (TIX), announced an unsolicited off-market all scrip takeover offer to acquire all outstanding units in Australian Industrial REIT (ANI). The offer consideration was 0.89 TIX units for every ANI unit. Australian Industrial REIT invests primarily in industrial properties across major metropolitan regions in Australia which are located in close proximity to major road, rail air or port infrastructure.

- **The Acquisition of GPT Metro Office Fund by Growthpoint Properties Australia Trust**

On 1 July 2016, Growthpoint Properties Australia Limited, the responsible entity for Growthpoint Properties Australia Trust, announced a proposal to acquire all outstanding units in GPT Metro Office Fund as an off-market takeover bid. The offer consideration was $2.50 per GMF unit. The GPT Metro Office Fund currently owns 6 properties in its portfolio with an estimated fund value of $376 million.

- **The Acquisition of Challenger Diversified Property Group by Challenger Life Limited**

On 11 April 2014, Challenger Life Nominees Pty Ltd as trustee of Challenger Australia Listed Property Holding Trust, a related entity of Challenger Life Company Limited, announced an off-market takeover offer to acquire all outstanding units in Challenger Diversified Property Group (CDI). The cash consideration of the offer was $2.74 per unit. As at the announcement date, Challenger Group owned 58.7% of CDI. Based in Sydney, CDI invests primarily in office, retail and industrial properties across Australian and France.

- **Merger of Novion Property Group and Federation Centres**

On 3 February 2015, Novion Property Group and Federation Centres announced that they had entered into a merger implementation agreement. On implementation of the agreement, each Novion security will be exchanged for 0.8225 Federation securities which is equivalent to a value of $2.55 per security. Novion and Federation are Australian integrated retail property groups listed on the ASX, Prior to the announcement, Novion and Federation had a market capitalisation of $7.1 billion and $4.4 billion, respectively.

- **The Acquisition of Unity Pacific Group by Sentinel Property Group**

On 28 July 2016, Unity Pacific Group announced that it had entered into a bid implementation bid with Ebert Investments Pty Ltd which proposed to make an off-market takeover bid for all stapled securities in Unity Pacific. The offer consideration was 47 cents being 41.5 cents of cash consideration and a scrip consideration of 5.5 cents; one bidder share being a contingent value redeemable preference share in Sentinel investments deemed to be fully paid to an amount of 5.5 cents. Unity Pacific Group is a REIT engaged direct investment in retail, industrial and residential properties across Australia. It is also involved in property development activities and fund management.

7.4. QMP value of APDC securities on a control basis

Per the share price analysis performed in section 7.2, we consider the historical security prices and level of trading to be sufficient to support an assessment of the fair market value of an APDC security on a minority basis.

When assessing the fair market value of an APDC security, based on the above analysis, we consider a trading price range of between a low of $1.50 and a high of $1.57 per APDC security to best reflect the ASX pricing for a minority interest.

As the trading price for a security traded on the ASX represents a minority interest, we have applied a control premium of 10% based on our assessment of the offer prices for mergers and acquisitions relating to REITs between 1 July 2014 and 6 April 2017 (refer to section 7.3 above).

Our assessed value of an APDC security on a control basis using the QMP valuation is from $1.65 to $1.76 per security. We have calculated this as follows:

Table 22: APDC security value - QMP Method

	Ref	Low	High
APDC security - ASX Pricing (minority interest) per security ($)	7.2	1.50	1.57
Control premium (%)	7.3	10%	12%
APDC security - ASX Pricing (control basis) per security ($)		**1.65**	**1.76**

Source: BDOCF analysis
Note: The above may have rounding differences

8. VALUATION SUMMARY AND FAIRNESS CONCLUSION

8.1. Fair market value of APDC prior to the NEXTDC Offer

We have assessed the equity value of APDC using both the NAV method and QMP method. The results of our analysis are summarised below:

Table 23: Adopted equity value of APDC and comparison to offer price (ex-distribution)

A$	Low	High
Net asset value (NAV) valuation method	1.57	1.59
Quoted market prices (QMP) valuation method	1.65	1.76
Value range of APDC per security (control)	1.59	1.76
Offer price	1.87	1.87

Source: BDOCF analysis

8.2. Adopted equity value of an APDC security (control basis)

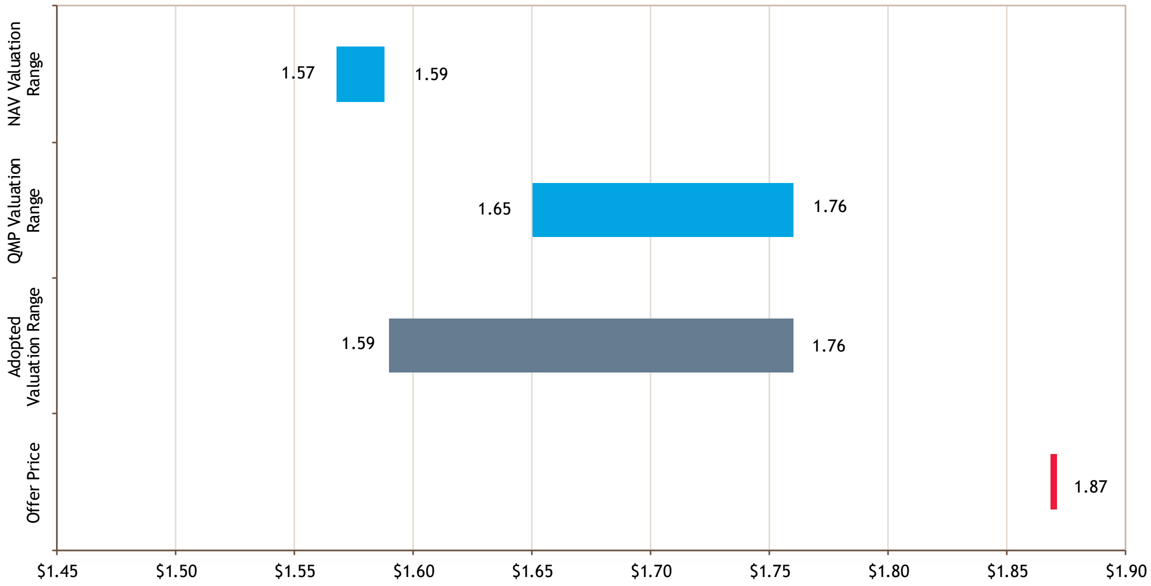
We have adopted the equity value of an APDC security using both the QMP method and NAV method for the following reasons:

- The principal assets of APDC are investment properties and future rental income streams relating to these properties. REITs are commonly valued using the NAV approach, which involves aggregating the market value of the individual assets and liabilities.
- As described in section 7.1 of this report, APDC's securities are traded on the ASX and have sufficient liquidity to assess the fair market value of an APDC security.

8.3. Valuation conclusion

The NEXTDC Offer price is above the adopted equity value range for an APDC security on a control basis. As such, we consider the NEXTDC offer to be fair.

Figure 4: Adopted equity value range of an APDC security and comparison to NEXTDC Offer price



Source: BDOCF analysis

9. REASONABLENESS ASSESSMENT

In accordance with RG 111 an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, the expert believes there are sufficient reasons for the Securityholders to accept the offer in the absence of a superior offer.

Whilst we have concluded that the NEXTDC Offer is fair, we have assessed the reasonableness of the NEXTDC Offer by considering the factors relevant for an APDC Securityholder to consider. Set out below is a summary of factors we have considered in our reasonableness assessment.

9.1. Advantages

9.1.1. The NEXTDC Offer is Fair

The offer is Fair in the absence of a superior offer. The NEXTDC Offer is 18% to 19% above our NAV valuation (section 6) and 6% to 13% above our QMP valuation (on a control basis) (section 7).

9.1.2. Certainty of cash

If you accept the offer you will receive cash of $1.87 per APDC security which has a fixed value. If you continue to hold APDC securities, there may be future movements in the value of the APDC security.

9.1.3. Ability to receive revised, higher offer

If you accept the offer, and NEXTDC increases their offer price, you will receive the higher offer price. If you sell your securities on the market, you will not receive any increase in offer price. We note that NEXTDC has not made any indication that it will increase its offer.

9.1.4. No brokerage

You will not incur any brokerage fees. Brokerage may be payable if you sell your Securities on the ASX.

9.2. Disadvantages

9.2.1. Superior offer

If you accept the NEXTDC Offer you will be unable to accept a superior proposal if it emerges in the future. As at the date of this Report, no superior offer has been announced. If NEXTDC increases their offer, and you have previously accepted the NEXTDC Offer, you will receive the increased offer.

9.2.2. Taxation implications

There may be tax consequences arising from accepting the offer (or selling your securities on the ASX). APDC Securityholders should consult with their own independent taxation advisers regarding the taxation implications of accepting the NEXTDC Offer given their own particular circumstances.

9.2.3. APDC ownership and exposure to the Australian commercial property market

If you accept the NEXTDC Offer you will no longer hold an ADPC Security. You will no longer be exposed to the risks and rewards experienced by ADPC or the Australian property market, including any potential capital gains or increases in distributions. We note however, that you may reinvest the proceeds of the NEXTDC Offer (net of any tax) into similar investments.

9.3. Situation If You Reject The NEXTDC Offer

At the end of the Offer Period, any APDC Securityholders who do not accept the NEXTDC Offer may be subject to the following risks:

- NEXTDC has stated in the Bidder's Statement that if it acquires at least 90% of APDC Securities, it intends to arrange for APDC to be removed from the official list of the ASX and acquire your APDC Securities through the implementation of compulsory acquisition procedures in accordance with section 661B of the Corporations Act, in which case you will be compelled to sell your APDC Securities to NEXTDC but may not receive your consideration for a number of weeks;
- if NEXTDC does not acquire at least 90% of APDC Securities but is in a position to cast the majority of votes at a general meeting of APDC Securityholders, then NEXTDC will be able to:
  - (A) control the composition of the boards of APDC Holdings and APDC Limited;
  - (B) replace the responsible entity of APDC Trust; and
  - (C) determine the strategic direction of APDC generally.
- If NEXTDC does not acquire at least 90% of APDC Securities but acquires more than 75% of APDC Securities it will, subject to applicable voting exclusions in the Corporations Act and (if APDC remains listed) the ASX Listing Rules, be able to pass a special resolution at a general meeting of APDC Securityholders. This would enable NEXTDC to, among other things, change the constitution of APDC Holdings and/or APDC Trust;
- If a Securityholder rejects the offer and if no superior proposal emerges, there is a risk that the price of APDC Securities may trade below the price of A$1.87 per APDC Security offered by NEXTDC. As at the date of this Report, no superior offer has been announced;
- As there are fewer securities on issues held by parties other than NEXTDC, the liquidity of APDC Securities may be lower than at present, potentially impacting upon your ability to dispose of your APDC Securities. NEXTDC has stated in the Bidder's Statement that, subject to continued compliance by APDC with the ASX Listing Rules and NEXTDC not acquiring a relevant interest in 90% or more of the APDC Securities, APDC's listing on the ASX is intended to be maintained;
- APDC could be fully or partially removed from certain S&P/ASX market indices due to lack of free float and/or liquidity; and
- if NEXTDC acquires a sufficiently high percentage of APDC Securities in the year ending 30 June 2018, there is a risk that APDC Trust may not qualify as a "Managed Investment Trust" under the tax rules for the entire year and certain concessions enjoyed by the APDC Trust and APDC Securityholders are no longer applicable after the June 2017 Distribution (see section 5 of the Australian Taxation Letter at Appendix 1).

Based on the above, we are of the opinion that the NEXTDC Offer is reasonable to the APDC Securityholders.

9.4. Other factors

9.4.1. Securityholder's individual circumstances

BDOCF has not considered the effect of a NEXTDC Offer on the particular circumstances of individual APDC Securityholders. Some individual Securityholders may place a different emphasis on various aspects of the NEXTDC Offer from that adopted in this IER. Accordingly, individuals may reach different conclusions as to whether or not the NEXTDC Offer is in their individual best interest. Securityholders are advised to seek their own independent advice.

9.5. Conclusion on "Reasonable"

Based on the above, we are of the opinion that the NEXTDC Offer is reasonable to the APDC Securityholders.

10. OVERALL OPINION

We have considered the terms of the NEXTDC Offer, as outlined in this Report, and have concluded that the NEXTDC Offer is **fair and reasonable** to APDC Securityholders.

11. QUALIFICATIONS, DECLARATIONS AND CONSENTS

11.1. Qualifications

BDOCF is the licensed corporate advisory arm of BDO East Coast Practice, Chartered Accountants and Business Advisers. BDOCF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr Sebastian Stevens, B.Bus, CPA is a Director of BDOCF. Mr Stevens is also a partner of BDO East Coast Practice.

Mr Stevens is the Director responsible for the preparation of this IER. Mr Stevens has over 20 years of experience in a number of specialist corporate advisory activities including company valuations advising on independent expert reports, due diligence investigations, preparation and review of business feasibility studies, public company floats, advising on mergers and acquisitions, preparation of information memoranda and other corporate investigations. Accordingly, Mr Stevens is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr David McCourt, B.Bus, CA, is a Director of BDOCF. Mr McCourt is also a Partner of BDO East Coast Practice. Mr McCourt has been responsible for the review of this IER.

Mr McCourt has over 17 years of experience in the chartered accountancy profession and has undertaken numerous corporate finance assignments involving acquisitions, divestments and valuations.

11.2. Independence

BDOCF is not aware of any matter or circumstance that would preclude it from preparing this IER on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

BDOCF considers itself to be independent in terms of RG 112 independence of experts, issued by ASIC. In 2016 BDO East Coast Partnership has previously acted as a due diligence and financial modelling adviser on an aborted transaction for NEXTDC. This matter has not had any impact on our independence.

BDOCF was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for APDC in relation to the NEXTDC Offer. Further, BDOCF has not held and, at the date of this IER, does not hold any shareholding in, or other relationship with NEXTDC or APDC that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the NEXTDC Offer.

BDOCF will receive a fee of up to $100,000 plus Goods and Services Tax for the preparation of this IER. BDOCF will not receive any fee contingent upon the outcome of the NEXTDC Offer, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the NEXTDC Offer.

A draft of this IER was provided to the Directors and their advisors for review of factual accuracy. Certain changes were made to the IER as a result of the circulation of the draft IER. However, no changes were made to the methodology, conclusions, or recommendations made to the Securityholders as a result of issuing the draft IER.

11.3. Disclaimer

This IER has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Directors and Securityholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and Securityholders without the written consent of BDOCF. BDOCF accepts no responsibility to any person other than the Directors and Securityholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon BDOCF's consideration and assessment of information provided by the Directors, executives and Management of all the entities.

APPENDIX 1: GLOSSARY

Term	Definition
APDC	Asia Pacific Data Centre Group
APDC Holdings	Asia Pacific Data Centre Holdings Limited
APDC Limited	Asia Pacific Data Centre Limited and also the responsibly entity for APDC Trust
APDC Trust	Asia Pacific Data Centre Trust
A-REIT	Australian real estate investment trust
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
AWOTE	Average weekly ordinary time earnings
Bank Bill Swap Rate	The wholesale interbank rate within Australia
BDOCF, we, our or us	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
COE	Capitalisation of maintainable earnings
Corporations Act	Corporations Act 2001
DCF	Discounted cash flow method
Debt Facility	APDC's five year asset-secured debt funding with Bankwest which includes the Cash Advance Facility and Multi-Option Facility
Directors	Directors of APDC
Ex-distribution date	24 August 2017
FOS	Financial Ombudsman Service Limited
FYxx	Financial year ended/ending 30 June 20xx
GN15	Takeovers Panel's Guidance Note 15
ICR	Interest coverage ratio
Lease expiry	The number of years remaining until lease expiry date
Licence	Australian Financial Services Licence No: 247420
LVR	Loan to value ratio
M1	Melbourne Data Centre located in 826-846 Lorimer Street, Port Melbourne
MW	Megawatts
NAV	Net asset value
NEXTDC	NEXTDC Limited
NEXTDC Offer	NEXTDC offer of $1.87 per APDC share
NPV	Net present value
NTA	Net tangible assets
Offer Price	The offer price of $1.87 per security
P1	Perth Data Centre located in 101 Malaga Drive, Malaga, WA
QMP	Quoted market price basis
REIT	Real estate investment trust
Report or IER	Independent expert's report
Responsibly Entity	Asia Pacific Data Centre Limited
RG 111	ASIC Regulatory Guide 111 Content of expert reports
RG 112	ASIC Regulatory Guide 112 Independence of experts
S1	Sydney Data Centre located in 4 Eden Park Drive, Macquarie Park, NSW
Security	An undivided security in the beneficial interest in APDC
Securityholders	An individual who owns an interest in an organisation
Sqm	Square metres
Stapled	Two or more securities that are contractually bound to form a single saleable unit and cannot be bought or sold separately
TGP	360 Capital Group Ltd
Transaction Document	Notice of Meeting and Explanatory Memorandum
VWAP	Volume weighted average price

Source: BDOCF

APPENDIX 2: SOURCES OF INFORMATION

In preparing this IER, we had access to and relied upon the following principal sources of information:

- Target's Statement provided to APDC Securityholders in connection with the NEXTDC Offer.
- APDC annual financial reports for the full years ended 30 June 2014, 30 June 2015, 30 June 2016, 30 June 2017
- Unaudited APDC management accounts for year ending 30 June 2017
- APDC ASX Listing Prospectus
- APDC Securityholder Register dated 15 August 2017
- Facility Agreement and First Variation Deed
- APDC swap valuation as at 30 June 2017
- Independent property valuation report prepared by Jones Lang Lasalle on M1 Data Centre as at 30 June 2017
- Independent property valuation report prepared by Jones Lang Lasalle on P1 Data Centre as at 30 June 2017
- Independent property valuation report prepared by Jones Lang Lasalle on S1 Data Centre as at 30 June 2017
- NEXTDC Bidder's Statement dated 31 July 2017
- APDC Services and Access to Business Premises Agreement dated 3 December 2012
- APDC Compliance Services Agreement dated 14 November 2012
- ASX announcements
- Various discussions with and information supplied by the Directors and Management of APDC
- BDOCF analysis
- IBISWorld research reports
- Connect 4
- Mergermarket
- Capital IQ
- Other generally available public information

APPENDIX 3: VALUATION METHODS - BUSINESSES AND ASSETS

In conducting our assessment of the fair market value of APDC securities, the following commonly used business valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow (**DCF**) method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (NPV).

DCF is appropriate where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably 5 to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a 'start up' or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

Capitalisation of Earnings Method

This method involves the capitalisation of normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable profits that can be derived by the vendor's business and exclude any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net Asset Value Methods

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business securities or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- orderly realisation (NRV): this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- liquidation: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or

- continuing operations (NAV): this is a valuation of the net assets on the basis that the operations of the business will continue. It estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding entity. Adjustments may need to be made to the book value of assets and liabilities to reflect their value based on the continuation of operations.

The net realisable value of a trading entity's assets will generally provide the lowest possible value for the business. The difference between the value of the entity's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where an entity is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding entity, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the entity's value could exceed the realisable value of its assets.

Quoted Market Prices

The price that an entity's security trades on an exchange can be an appropriate basis for valuation where:

- the security trades in an efficient market place where 'willing' buyers and sellers readily trade the entity's security; and
- the market for the entity's security is active and liquid.