Asia Pacific Data Centre Group
Asia Pacific Data Centre Trust ARSN 161 049 556

ASX RELEASE

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21 August 2018

Annual Financial Report for the year ended 30 June 2018
Appendix 4E

Asia Pacific Data Centre Group (APDC) has lodged its annual financial report for the year ended 30 June 2018.

For further information please contact:

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APDC is a special purpose real estate investment trust (A-REIT) which listed on the Australian Securities Exchange on 9 January 2013 to own data centre properties. APDC has the objective of providing investors with a stable income and the potential for capital growth.

APPENDIX 4E
Preliminary Final Report
For the year ended 30 June 2018

Reporting entities and reporting periods

The reporting entities are:

1. Asia Pacific Data Centre Holdings Limited ACN 159 621 735 and its controlled entities and Asia Pacific Data Centre Trust ARSN 161 049 556 (**Group**); and
2. Asia Pacific Data Centre Trust ARSN 161 049 556 (**APDC Trust**).

As permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838 issued by the Australian Securities & Investments Commission, the financial reports of the Group and APDC Trust are combined.

Comparative figures are for the periods detailed in the table headings.

Results for announcement to the market

For the year ended 30 June	APDC Group 2018 $'000	APDC Group 2017 $'000	Variance	APDC Trust 2018 $'000	APDC Trust 2017 $'000	Variance
Revenue from ordinary activities	62,044	39,279	Up 58.0%	62,035	39,257	Up 58.0%
Profit from ordinary activities after tax attributable to members	53,354	36,902	Up 44.6%	53,354	36,902	Up 44.6%
Profit for the year attributable to members	53,354	36,902	Up 44.6%	53,354	36,902	Up 44.6%
Distributable earnings[1]	11,114	11,102	Up 0.1%	11,114	11,102	Up 0.1%

[1] The Group reports profit attributable to members in accordance with Australian Accounting Standards (AAS). Distributable earnings are a non-AAS measure that represents the Directors' view of the amount available for distribution to securityholders from ongoing activities for the year, being profit/loss after tax adjusted for unrealised fair value gains.

Distributions for the year

The following distributions were paid and payable by APDC Trust:

Period to	Distribution cents per security	Record date	Payment date
30 September 2017	-	N/A	N/A
31 December 2017	5.00	28 December 2017	25 January 2018
31 March 2018	2.00	28 March 2018	24 April 2018
30 June 2018	2.50	28 June 2018	25 July 2018
Total	9.50		
Tax deferred amount	53.09%		

Explanatory comments

Revenue from ordinary activities comprises:

For the year ended 30 June	APDC Group 2018 $'000	APDC Group 2017 $'000	Variance	APDC Trust 2018 $'000	APDC Trust 2017 $'000	Variance
Rental income	13,785	13,393	Up 2.9%	13,785	13,393	Up 2.9%
Interest income	59	86	Down 31.4%	50	64	Down 21.9%
Net gain from fair value adjustment on investment properties	48,200	25,800	Up 86.8%	48,200	25,800	Up 86.8%
Revenue from ordinary activities	62,044	39,279	Up 58.0%	62,035	39,257	Up 58.0%

Net tangible assets per security is:

At 30 June	APDC Group 2018 $'000	APDC Group 2017 $'000	Variance	APDC Trust 2018 $'000	APDC Trust 2017 $'000	Variance
Net tangible assets per security	2.02	$1.65	Up 22.4%	2.01	$1.64	Up 22.6%

During the year:

- the Group earned a profit of $53.35 million and distributable earnings of $11.11 million;
- the Group paid or provided for distributions of $10.93 million or 9.50 cents per security;
- the Group earned rental income of $13.79 million. Rentals for M1 and P1 data centres increased in December 2017 by 1.80% as the result of a CPI review increase. Following a market rent review, an increased of 7.87% was applied to S1 rental at 21 December 2017.
- the Group revalued all its data centre investment properties based on independent valuations resulting in an increase in fair value of the portfolio (on an individual basis) to $261 million;
- 360 Capital Group (ASX: TGP) acquired further securities in the Group resulting in TGP holding approximately 67.3% of the securities in the Group as at 21 November 2017;
- NEXTDC Limited (ASX: NXT) acquired further securities in the Group resulting in NXT holding approximately 29.2% of the securities in the Group as at 18 September 2017;
- on 21 December 2017, NEXTDC convened a meeting of the securityholders of APDC Trust for 31 January 2018 to wind up APDC Trust (Wind-up Proposal). The terms of the Wind-up Proposal were set out in a Meeting Booklet dated 2 January 2018 issued to securityholders by NXT. On 24 January 2018, TGP initiated proceedings in the Supreme Court of NSW seeking declaratory relief that it is entitled to vote at that meeting. The parties have provided undertakings to the Court for the adjournment of the securityholders' meeting until the date which is 5 business days after the proceedings have been determined or have otherwise settled. As at the date of this Appendix, the Court has not handed down its decision;
- on 19 December 2017, the Board of APDC Holdings and APDC Limited announced that it had resolved to seek expressions of interest in respect of the sale of APDC Trust's assets. Following the announcement, on 21 December 2017 APDC Limited appointed Savills and Cushman Wakefield to undertake a sales campaign for the sale of assets. On 14 February 2018 the Group announced that it had agreed terms and exchanged non-binding letters with a preferred purchaser for the sale of the portfolio at an agreed price of $280 million. On 5 March 2018, the

preferred purchaser withdrew from the sales process due to reasons external to the APDC Portfolio. The portfolio continues to be in the market for sale at the date of this appendix.

– Following numerous attempts seeking access to the properties for both the independent valuers and prospective purchasers, on 18 April 2018, the Custodian of the APDC Trust and the responsible entity made an application to the Supreme Court of NSW to seek specific performance under each of leases to allow the inspections to take place. As part of the Court application, APDC also sought a declaration that NEXTDC's (the Tenant) conduct is in breach of the leases for failing to comply with the requests for access. As at the date of this report, no decision has been made by the Supreme Court of NSW.

The following events occurred subsequent to year end:

– Bankwest has agreed to extend the facility to further 12 months. The variation deed for the extension to 29 November 2019 has been executed by Bankwest on 17 August 2018 and confirmation received on 20 August 2018.

Details of entities over which control has been gained or lost during the period:

– All the shares in Asia Pacific Data Centre Limited were sold by Asia Pacific Data Centre Holdings Limited to the One Investment Group. Asia Pacific Data Centre Holdings Limited established a wholly owned subsidiary, Asia Pacific Data Centre SPV Pty Limited.

Details of any associates and Joint Venture entities required to be disclosed:

– None.

Audit

– The accounts have been audited with an unqualified opinion.

For all other information required by Appendix 4E including a results commentary, please refer to the following documents:

– Directors' report
– Combined Financial Reports for APDC Group and APDC Trust and accompanying notes (audited)
– ASX results announcement

Asia Pacific Data Centre Group

Annual Financial Report of

Asia Pacific Data Centre Holdings Limited (ACN 159 621 735) and its controlled entities:

and

Asia Pacific Data Centre Trust (ARSN 161 049 556)

for the year ended 30 June 2018

Directors' Report

The Directors of Asia Pacific Data Centre Holdings Limited (APDC Holdings) and the Directors of Asia Pacific Data Centre Limited (APDC Limited) as responsible entity for Asia Pacific Data Centre Trust (APDC Trust) (collectively 'the Directors') present their report for APDC Holdings and APDC Trust together with the consolidated financial statements of Asia Pacific Data Centre Group (APDC Group or Group) and the financial statements of APDC Trust for the year ended 30 June 2018.

As at 30 June 2018, APDC Group comprises APDC Holdings and its controlled entities, Asia Pacific Data Centre SPV Pty Ltd ("APDC SPV") and APDC Trust.

APDC Holdings is a company limited by shares, incorporated and domiciled in Australia and its registered office and principal place of business is Level 13, 135 King Street, Sydney NSW.

APDC Trust is a managed investment unit trust. Its responsible entity is APDC Limited. The registered office and principal place of business of APDC Limited is Level 11, 20 Hunter Street, Sydney NSW.

The shares of APDC Holdings and units of APDC Trust are stapled and are listed on the Australian Stock Exchange. They can only be traded as stapled securities. Although there is no ownership interest between APDC Holdings and APDC Trust, APDC Holdings is deemed to be the parent entity of the Group under Australian Accounting Standards (AAS).

1. Directors

The following persons have held office as Directors during the year:

APDC Holdings

Current Directors		
David van Aanholt	Chairman, Non-Executive Director	(appointed 23 November 2017)
Lawrence Gibbs	Non-Executive Director	(appointed 23 November 2017)
John Wilson	Non-Executive Director	(appointed 23 November 2017)
Former Directors		
Tony Pitt	Non-Executive Director	(appointed 23 November 2017; resigned 14 May 2018)
Ian Fraser	Chairman, Non-Executive Director	(resigned 23 November 2017)
Chris Breach	Non-Executive Director	(resigned 23 November 2017)
Francina Turner	CEO, Executive Director	(resigned 23 November 2017)
John Wright	Non-Executive Director	(resigned 23 November 2017)

APDC Limited

Current Directors		
Frank Tearle	Executive Director	(appointed 16 January 2018)
Justin Epstein	Executive Director	(appointed 16 January 2018)
Elizabeth Reddy	Non-Executive Director	(appointed 16 January 2018)
Former Directors		
David van Aanholt	Chairman, Non-Executive Director	(appointed 23 November 2017; resigned 16 January 2018)
Tony Pitt	Non-Executive Director	(appointed 23 November 2017; resigned 16 January 2018)
Lawrence Gibbs	Non-Executive Director	(appointed 23 November 2017; resigned 16 January 2018)

John Wilson	Non-Executive Director	(appointed 23 November 2017; resigned 16 January 2018)
Ian Fraser	Chairman, Non-Executive Director	(resigned 23 November 2017)
Chris Breach	Non-Executive Director	(resigned 23 November 2017)
Francina Turner	CEO, Executive Director	(resigned 23 November 2017)
John Wright	Non-Executive Director	(resigned 23 November 2017)

2. Principal activities

The Group's principal activity is to invest in data centre investment property in Australia and Asia Pacific region.

APDC Trust owns the following data centre investment properties:

- M1 Port Melbourne, Melbourne, VIC
- S1 Macquarie Park, Sydney, NSW
- P1 Malaga, Perth, WA

There were no significant changes in the nature of the activities of the Group during the year.

2.1 Objectives

The Group's objective is to provide investors with stable income sourced from rental income earned from its data centres and the potential for capital growth.

To achieve this objective, the Group owns a geographically diverse portfolio of data centres in three Australian capital cities. The Group's data centre investment properties comprise the land and buildings. This includes essential building service improvements but excludes the tenant's fit out such as the plant and equipment and specialised data hall or data centre technical improvements. The land and buildings in the current portfolio are leased on long-term triple-net terms pursuant to which all maintenance, taxes, insurance and outgoings are paid by the tenant, NEXTDC Limited (NEXTDC) (ASX: NXT). The leases provide for upwards only annual CPI rental increases and market reviews in every fifth year, not exceeding 110% of the preceding year's rent.

3. Operating and financial review

3.1 Results of operations

The Group earned a profit for the year of $53,354,000 representing basic earnings per stapled security of 46.39 cents.

The Group's distributable earnings for the year was $11,114,000, representing earnings per stapled security of 9.66 cents.

APDC Group reports statutory profit for the year in accordance with AAS. Distributable earnings is the primary basis upon which distributions are determined by the Directors. Distributable earnings is a non-AAS measure that represents the Directors' view of the amount available for distribution to securityholders from ongoing activities for the year.

	Consolidated APDC Group 2018 $'000	**Consolidated APDC Group 2017 $'000**	**APDC Trust 2018 $'000**	**APDC Trust 2017 $'000**
Profit for the year	53,354	36,902	53,354	36,902
Transaction and project costs	5,960	-	5,960	-
Net gain from fair value adjustment on assets held for sale[(1)]	(48,200)	-	(48,200)	-
Net gain from fair value adjustment on investment properties[(1)]	-	(25,800)	-	(25,800)
Distributable earnings (including return of capital)	11,114	11,102	11,114	11,102
Undistributed income brought forward	80	156	80	156
Amount available for distribution	11,194	11,258	11,194	11,258
Undistributed income carried forward	(269)	(80)	(269)	(80)
Total distribution for the year	**10,925**	**11,178**	**10,925**	**11,178**
Basic earnings per security (cents)	46.39	32.09	46.39	32.09
Distributable earnings per security (cents)	9.66	9.65	9.66	9.65
Distributions paid and payable	10,925	11,178	10,925	11,178
Distributions per security (cents)	9.50	9.72	9.50	9.72

[(1)] Unrealised fair value gains and losses on revaluation of assets held for sale and investment properties. Refer to Notes 3(h) and 12 to the financial statements.

The total distribution for the year is 9.50 cents per stapled security. Interim distributions totalling 7.00 cents per stapled security were paid on 25 January 2018 and 24 April 2018. A final distribution for the year of 2.50 cents per stapled security was paid on 25 July 2018.

Distributions to securityholders were 53.09% tax deferred.

The Group's revenue and operating expenses for the year were:

	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Rent on land and buildings				
M1, Melbourne	5,085	5,007	5,085	5,007
S1, Sydney	5,886	5,616	5,886	5,616
P1, Perth	2,814	2,770	2,814	2,770
Total rental income	13,785	13,393	13,785	13,393
Interest income	59	86	50	64
Net gain from fair value adjustment on assets held for sale	48,200	-	48,200	-
Net gain from fair value adjustment on investment properties	-	25,800	-	25,800
Total revenue	62,044	39,279	62,035	39,257
Administration expenses	204	156	199	154
Audit and taxation fees	109	98	85	56
Compliance expenses	94	101	66	40
Directors' fees	341	215	-	-
Employee expenses	424	385	-	-
Interest expense	1,247	1,178	1,247	1,178
Other expenses	238	215	1,067	898
Valuation fees	57	29	57	29
Transaction and project costs	5,960	-	5,960	-
Tax expense	16	-	-	-
Total expenses	8,690	2,377	8,681	2,355

There were no movements in the total number of securities on issue for the Group during the year.

3.2 Direct property investments

	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
M1, Melbourne	98,500	80,000	98,500	80,000
S1, Sydney(1)	117,500	95,300	117,500	95,300
P1, Perth	45,000	37,500	45,000	37,500
Total investment properties at fair value	261,000	212,800	261,000	212,800
Net assets	232,581	189,879	231,431	188,729
Net tangible asset backing per security ($)	2.02	1.65	2.01	1.64

(1) The Bankwest Debt Facility is secured by a mortgage over S1 Sydney data centre asset. Refer to Note 14 to the financial statements.

The fair value of the assets is derived using the basis set out in Note 3(i) to the financial statements. The fair value of the investment properties is determined by the Directors by reference to the most recent independent valuation for that property updated for any changes in valuation factors. All the investment properties were independently valued as at 30 June 2018.

Fair value may increase or decrease in future. Refer Note 13(b) to the financial statements.

3.3 Rental income

All the Group's data centres are beneficially wholly-owned by APDC Trust. All the data centres are leased to NEXTDC on a triple net basis for initial terms of 15 years expiring 2027 and 2028, with options for up to another 25 years.

Each lease has a yearly rent review date of 21 December. Pursuant to the leases, a CPI increase of 1.8% was applied to the M1 and P1 rentals and a market rent review increase of 7.87% was applied to S1 rental. These increases were effective from 21 December 2017. The rental income per annum from 21 December 2017 is $5,128,000 for M1, $6,095,000 for S1 and $2,837,000 for P1.

The leases over P1 and S1 provided for a market rent review effective on 21 December 2017. The independent valuation report for P1 as at 30 June 2017 contained a rental assessment which concluded that the rent is at market and as a result a CPI increase was applied. The determining valuer assessed the market rent for S1 at $6,095,000 per annum, representing an increase of $445,000 (7.87%) from the previous annual rental.

3.4 Bankwest Debt Facility

APDC Trust has a five-year debt facility with Bankwest (a division of Commonwealth Bank of Australia) (Bankwest) for a facility limit up to $29 million (Debt Facility). The Debt Facility matures on 29 November 2018. The Debt Facility is provided at market interest rates and is secured by a mortgage over the S1 Sydney data centre and a general security agreement. At 30 June 2018, $29 million of the Debt Facility was drawn.

APDC Trust has a swap agreement to fix the floating interest rate component over $12.5 million of the drawn amount for five years maturing on 29 November 2018. The effective cost of the Core Debt (loan interest, margin and swap interest) is 4.34% per annum as at 30 June 2018.

Bankwest has agreed to extend the facility to further 12 months. The variation deed for the extension to 29 November 2019 has been executed by Bankwest on 17 August 2018 and confirmation received on 20 August 2018.

3.5 Sale of responsible entity and real estate funds management

APDC Limited was a wholly owned subsidiary of APDC Holdings during the year up until 16 January 2018. On 16 January 2018, all of the shares in APDC Limited were sold to One Investment Group Pty Limited (OIG). APDC Limited continues to remain the responsible entity of APDC Trust however APDC Limited is no longer a member of the APDC Group.

Under a service agreement, APDC SPV, a wholly-owned subsidiary of APDC Holdings, incorporated on 16 January 2018, provides a range of investment management services to APDC Limited as responsible entity of the APDC Trust including the preparation of these financial statements.

During the year, APDC Limited charged APDC Trust a management fee equal to the cost to APDC Limited in providing these management services. Subsequent to the sale of APDC Limited, APDC Limited charged APDC Trust a management fee equal to 0.07% per annum of the Gross Asset Value of the Trust, which is subject to a minimum yearly fee of $200,000. Refer to Note 6 to the financial statements.

3.6 Corporate matters

Meeting on wind up APDC Trust
On 14 December 2017, NEXTDC Limited advised the securityholders of APDC Trust that it intended to convene a meeting to wind up APDC Trust (Wind-up Proposal). The meeting was scheduled on 31 January 2018. On 24 January 2018, 360 Capital Group (ASX: TGP) initiated proceedings in the Supreme Court of NSW seeking declaratory relief that it is entitled to vote at that meeting. The parties have provided undertakings to the Court for the adjournment of the securityholders' meeting until the date which is 5 business days after the proceedings have been determined or have otherwise settled. As at the date of release of this report, the Court has not handed down its decision.

Portfolio expression of interest campaign
On 19 December 2017, the Board of APDC Holdings and APDC Limited announced that it had resolved to seek expressions of interest in respect of the sale of APDC Trust's assets. Following the announcement, on 21 December 2017 Savills and Cushman Wakefield were appointed to undertake a sales campaign for the sale of assets. On 14 February 2018, the Group announced that it had agreed terms and exchanged non-binding letters with a preferred purchaser for the sale of the portfolio at an agreed price of $280 million. On 5 March 2018, the preferred purchaser withdrew from the sales process due to reasons external to the APDC Portfolio. The portfolio continues to be in the market for sale at the date of this report.

Clarification of Rights under NEXTDC leases

Following numerous attempts seeking access to the properties for both the independent valuers and prospective purchasers, On 18 April 2018, the Custodian of the APDC Trust and the responsible entity made an application to the Supreme Court of NSW to seek specific performance under each of leases to allow the inspections to take place. As part of the Court application, APDC also sought a declaration that NEXTDC's conduct is in breach of the leases for failing to comply with the requests for access. As at the date of this report, no decision has been made by the Supreme Court of NSW. The next court hearing has been adjourned to 27 August 2018.

3.7 Events subsequent to reporting date

(a) Going concern

The financial statements are prepared on a going concern basis. As at 30 June 2018 the Group's investment property portfolio is classified as held for sale following the expression of interest campaign relating to the sale of the properties. On 14 February 2018, the Group announced that it had agreed terms and exchanged non-binding letters with the preferred purchaser for the sale of the portfolio. On 5 March 2018, the preferred purchaser withdrew from the sales process due to reasons external to the APDC Portfolio. The assets are currently subject to an expression of interest campaign.

On 14 December 2017, NEXTDC Limited (ASX code: NXT) advised the securityholders of APDC Trust that it intended to convene a meeting to wind up APDC Trust. The meeting was scheduled to be on 31 January 2018. On 29 January 2018, 360 Capital Group (ASX code: TGP) initiated proceedings in the supreme court of NSW seeking declaratory relief that it is entitled to vote at the meeting. The parties have provided undertakings for the adjournment of the securityholders' meeting until the date which is 5 business days after the proceedings have been determined or have otherwise settled.

As there is no certainty as to the sale of the portfolio or the outcome of the court proceedings and the proposed meeting to vote on the wind up of the APDC Trust, the Directors believe that the going concern basis of preparation for the financial statements is appropriate. Should the sale of the portfolio proceed, and the decision made to wind up the Group, the costs, including selling, cost of extinguishing any financing arrangements of the Group and wind up costs would be incurred. These costs are estimated to be approximately $2.5 million however the actual costs may vary depending on sales contact negotiations, the timing of the wind up and other unforeseen events.

(b) Corporate activity

Extension of the Bankwest facility

Bankwest has agreed to extend the facility to further 12 months. The variation deed for the extension to 29 November 2019 has been executed by Bankwest on 17 August 2018 and confirmation received on 20 August 2018.

Other than the above, the Directors of APDC Holdings and APDC Limited are not aware of any other matter or circumstance not otherwise dealt with in the financial reports or the Directors' Report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial years subsequent to the year ended 30 June 2018.

4. Information on Current Directors and Chief Executive Officer

APDC Holdings - Directors

Mr David van Aanholt (appointed 23 November 2017)

Non-Executive Chairman
Audit and Risk Committee Member

Mr David van Aanholt has close to 30 years' experience in the property and funds management industry. Prior to establishing his own property group in 2007, David was the Chief Executive Officer (Asia Pacific) of the ASX listed Goodman Group. In that role David was responsible for Goodman's operations in Australia, New Zealand, Hong Kong and Singapore. David worked for Goodman for more than a decade and before joining them he was a Fund Manager at Paladin Australia Limited and an Associate Director of CDH Properties (acquired by KPMG).

Mr van Aanholt holds a Bachelor of Business (Land Economy), a Post Graduate Diploma in Management, a Master's in Business Administration and he is a Fellow of the Australian Property Institute. David is a non-executive Director and Chairman of Kennard's Self Storage Group and in August 2016 was appointment to the Council of the University of New England. During the past three years, Mr van Aanholt has also served as a chairman and independent director of 360 Capital Group (ASX: TGP) – appointed in 2013.

Mr Lawrence Gibbs (appointed 23 November 2017)

Independent Non-Executive Director
Audit and Risk Committee Member

Mr Lawrence Gibbs is Managing Director of BG Capital Corporation Limited. Mr Gibbs has over 42 years' experience in the financial services industry and during the last 17 years established the boutique corporate advisory firm, BG Capital Corporation. Prior to co-founding BG Capital in 2001, he was Head of Investment Banking-Corporate Finance at Burdett Buckeridge Young ("BBY") for 9 years. During this time, he was Corporate advisor and Transaction leader in over 60 transactions in market sectors including Property, Telecommunications, Health Care, Recruitment, Technology and Diversified Mid-Cap Industrials.

Mr Gibbs holds a Bachelor of Economics, MAICD.

Mr John Wilson (appointed 23 November 2017)

Independent Non-Executive Director
Audit and Risk Committee Member

Mr John Wilson has over 30 years of experience leading businesses principally in the data and technology space. Mr Wilson was most recently Executive General Manager at Veda (now Equifax Australia) where he was responsible for their major lines of business, and lead the strategy, innovation, marketing and M&A efforts. Prior to Veda, John was Asia Pacific President of at SunGard (now FIS) and prior to that was a Partner at KPMG.

Over the years Mr Wilson has also held a number of board and advisor roles. He is currently an advisor at Basiq (co-owned by NAB and Westpac), a senior advisor at Avaloq (Swiss Banking Software vendor) and a Non-Executive Director at Active Pipe (Co-owned by PieLAB Ventures and NAB).

Mr Wilson holds a Bachelor of Business Majoring in Accounting, a Master of Applied Finance from Macquarie University and Advanced Management and Finance Training from IMD Switzerland. John is also a Fellow of CPA Australia and a Graduate of the Company Directors Course.

APDC Holdings - Chief Executive Officer

Mr Vishant Narayan (appointed 14 May 2018)
Chief Executive Officer

Mr Vishant Narayan was appointed Chief Executive Officer of APDC Holdings on 14 May 2018. Mr Narayan has extensive investment, asset management and transaction experience in Australian and international real estate. He founded the Australian office of a major European investment firm and was the head of Australia for five years. Vishant has been involved in over $1.5 billion in acquisitions, disposals and major leasing deals in Australia over ten years and has experience in direct real estate transactions in Europe and Asia.

Mr Narayan was also responsible for asset managing an extensive portfolio with state and federal government tenants including high security assets for Defence and the Australian Federal Police.

Mr Narayan holds a Master in Business, a Master in Public Policy and a Bachelor of Laws. He has completed the Real Estate Management Program at Harvard Business School and is a Fellow of the Royal Institution of Chartered Surveyors.

APDC Limited - Directors

Mr Frank Tearle (appointed 16 January 2018)
Executive Director

Mr Frank Tearle founded One Investment Group (OIG) and is an executive director of OIG. Prior to founding OIG, Mr Tearle served in various roles at Allco Finance Group including as head of business transition and operations, managing director of the Hong Kong office, director in the corporate finance team and general counsel.

Mr Tearle has been non-executive director of several companies including the manager of a Singapore listed property trust and an APRA regulated insurance company. He has more than 10 years' experience working in major law firms in Australia and the United Kingdom specialising in mergers and acquisitions, capital markets, funds management and corporate governance.

Mr Tearle holds a Master of International Business Law from the University of Technology, Sydney and a Bachelor of Law (Honours) from the University of Leicester. During the past three years, Mr Tearle has also served as a director of One Managed Investment Funds Limited as responsible entity of Agricultural Land Trust (ASX:AGJ), Gryphon Capital Income Trust (ASX:GCIT) and Aventus Retail Property Fund (OMIFL retired as responsible entity on 11 March 2016); a director of Columbus Investment Services Limited as responsible entity of Alternative Investment Trust (ASX:AIQ)

Justin Epstein (appointed 16 January 2018)
Executive Director

Mr Justin Epstein also founded One Investment Group (OIG) and is an executive director of OIG.

Prior to founding OIG, Mr Epstein was the investment director of the LCJB Investment Group where he was responsible for sourcing and leading investment opportunities. Mr Epstein also previously worked in group strategy and business development for a major Australian investment bank, for the corporate finance and restructuring division of Ernst & Young and for a specialised property finance and investment group.

Mr Epstein holds a Bachelor of Commerce from the University of New South Wales and is a Fellow of the Financial Services Institute of Australia. During the past three years, Mr Epstein has also served as a director of One Managed Investment Funds Limited as responsible entity of Agricultural Land Trust (ASX:AGJ), Gryphon Capital Income Trust (ASX:GCIT) and Aventus Retail Property Fund (OMIFL retired as responsible entity on 11 March 2016); a director of Columbus Investment Services Limited as responsible entity of Alternative Investment Trust (ASX:AIQ)

Elizabeth Reddy (appointed 16 January 2018)
Non-executive Director

Ms Elizabeth Reddy has spent twenty years practising law in both private practice and commercial roles.

Ms Reddy specialises in advising on the Corporations Act, contractual disputes, mergers and acquisitions, equitable claims, trade practices and insolvency. She is also experienced in compliance and risk management issues.

Ms Reddy holds a Diploma in Law awarded by the NSW Solicitors Admission Board. During the past three years, Ms Reddy has also served as a director of One Managed Investment Funds Limited as responsible entity of Agricultural Land Trust (ASX:AGJ), Gryphon Capital Income Trust (ASX:GCIT) and Aventus Retail Property Fund (OMIFL retired as responsible entity on 11 March 2016); a director of Columbus Investment Services Limited as responsible entity of Alternative Investment Trust (ASX:AIQ)

4.1 Meetings of Directors and Audit and Risk Committee

The number of Directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of APDC Holdings and APDC Limited during the year are:

Directors	APDC Holdings Board meetings		APDC Limited Board meetings	
	Total number of meetings eligible to attend	Attended	Total number of meetings eligible to attend	Attended
David van Aanholt (Chairman)	16	15	8	7
Lawrence Gibbs	15	15	7	7
John Wilson	15	15	7	7
Frank Tearle	-	-	2	2
Justin Epstein	-	-	2	2
Elizabeth Reddy	-	-	2	-
Former Directors				
Tony Pitt	14	13	8	7
Ian Fraser (Chairman)	17	17	18	18
Chris Breach	18	18	18	18
Francina Turner	18	18	18	18
John Wright	18	18	18	18

Audit and Risk Committee – The Group

Committee Member	Audit and Risk Committee meetings*	
	Total number of meetings eligible to attend	Attended
Lawrence Gibbs (Chairman)	3	3
David van Aanholt	3	2
John Wilson	3	3
Former Member		
John Wright (Chairman)	1	1
Chris Breach	1	1
Ian Fraser	1	1

* Note: Audit, Risk and Compliance Committee became the Audit and Risk Committee from 1 February 2018. Compliance Committee function is undertaken by APDC Limited.

5. Company Secretary

Ms Francina Turner was the company secretary of APDC Limited and APDC Holdings until 23 November 2017. She was appointed to this position by the Board on 3 December 2012 and resigned on 23 November 2017.

Ms Jennifer Vercoe was appointed company secretary of APDC Limited and APDC Holdings on 23 November 2017 and resigned as company secretary of APDC Limited on 16 January 2018 and as company secretary of APDC Holdings on 14 February 2018.

Ms Sarah Wiesener was appointed company secretary of APDC Limited on 16 January 2018. Ms Wiesener is a Chartered Company Secretary and has acted as company secretary to a number of listed property funds. Ms Wiesener holds a Bachelor of Laws from Bristol University (Honours) and holds a current NSW practising certificate.

Ms Jeannine Clark was appointed as company secretary of APDC Holdings on 14 February 2018. Ms Clark has acted as company secretary to listed and unlisted funds, including property funds and companies. Ms Clark holds a Bachelor of Economics and a Bachelor of Laws from Macquarie University and a Master of Laws from the University of Sydney.

6. Remuneration Report – audited

6.1 Remuneration objectives and approach

The Remuneration Report of APDC Group reflects the following circumstances:

- APDC Trust currently owns three investment properties, all of which are leased to the same tenant, NEXTDC; and
- APDC Holdings has three employees.

The objective of APDC Group's executive remuneration framework is to attract and retain high quality executives by ensuring that executive remuneration:

- is competitive with prevailing employment market conditions; and
- is aligned to APDC Group's strategic goals and objectives and the creation of value for securityholders.

For the year ended 30 June 2018, the remuneration framework provided for fixed pay and performance based pay. Performance based pay is designed to ensure there is an appropriate relationship between remuneration, contribution and APDC Group's performance, including its earnings and securityholder wealth.

The Board has adopted policies relating to remuneration as part of its Board Charter.

6.2 Executive remuneration

(a) Fixed annual remuneration (FAR)

What is FAR?	FAR is the guaranteed salary of the executive and includes superannuation and any salary sacrificed components such as motor vehicles, computers and superannuation.
How is FAR set?	FAR is set by reference to external market data for comparable roles and responsibilities for a full time executive manager of similar listed entities within Australia.
When is FAR reviewed?	FAR is reviewed each year with any changes being effective from 1 January.

(b) Summary of key contract terms

Executive	Position	Contract Length	Fixed Annual Remuneration	Notice by APDC Holdings	Notice by executive
Vishant Narayan	Chief Executive Officer	Ongoing	$280,000	3 months	3 months

Mr Narayan commenced his position on 14 May 2018 with no fixed term subject to the notice provisions in the table above.

If employment is terminated in the circumstances of redundancy or without cause then Mr Narayan will be entitled to three months of fixed remuneration. Mr Narayan's notice period is three months which may be paid out in the case of redundancy or termination without cause.

(c) Remuneration details for year ended 30 June 2018

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2018 are set out in the following table:

Executive	Short term				Post employment benefits	Other long-term benefits	Total
	Salary	Performance incentive	Termination payments	Total	Superannuation benefits		
	$	$	$	$	$	$	$
Vishant Narayan*							
Year ended							
30 June 2018	35,432	-	-	35,432	2,979	-	38,411
Francina Turner**							
Year ended							
30 June 2018	101,591	54,795	121,250	277,636	13,544	20,351	311,531
Year ended							
30 June 2017	219,178	54,795	-	273,973	26,027	-	300,000

* Mr Vishant Narayan's employment commenced on 14 May 2018 and would be entitled to participate in both STI and LTI program in FY 2019.
** Ms Francina Turner's employment was terminated on 23 November 2017.

The value of Executive's fixed remuneration as a proportion of total remuneration was 71% (30 June 2017: 80%). The value of performance based remuneration as a proportion of total remuneration was 29% (30 June 2017: 20%).

Short term incentives are based on performance relative to individual key performance indicators (KPIs). Both financial measures such as distributable income, and non-financial measures such as operational and strategic responsibilities are considered.

APDC Group currently does not have a long-term incentive plan or equity based plan, however is planning to put one in place.

6.3 APDC Group performance since establishment

The table below sets out summary information about APDC Group's earnings and movements in securityholder wealth since APDC Group's establishment:

		2018 Actual	2017 Actual	2016 Actual	2015 Actual	2014 Actual
Distributable earnings (3)	$'000	11,114	11,102	10,964	10,559	9,953
Distribution paid or payable	cents per security	9.50	9.72	9.48	9.10	9.00
Management operating expenses	$'000	1,467	1,199	1,121	1,087	1,116
Security price (1)	$'000	$1.92	$1.76	$1.47	$1.26	$1.06
Accumulated securityholder return	annual	14.5% (2)	27.2% (2)	24.7% (2)	28.1% (2)	7.7% (2)

(1) Security price is the closing price for AJD securities on the last trading day of the period.
(2) Annualised return for the year to 30 June.
(3) Distributable earnings of $11.11 million for 2018 includes return of capital of $5.96 million

The total securityholder return for the year ended 30 June 2018 is 14.5%. This compares to the S&P 300 ASX-AREIT index accumulated return of 7.58% and S&P/ASX 200 index accumulated return of 13.04% for the same period.

6. Remuneration Report – audited (cont.)

6.4 Non-executive director remuneration

The remuneration of non-executive directors (NEDs) is determined by the Board of APDC Holdings. Securityholders have approved an aggregate amount of $400,000.

NEDs receive a cash fee for service and they have no entitlement to any performance based remuneration, nor can they participate in any security incentive scheme. NEDs do not receive any equity based payments, retirement benefits or other incentive payments.

NED fees for the year ended 30 June 2018 are as follows:

Non-executive director	Board Fees					
	2018			2017		
	Fees	Superannuation beneftis	Total	Fees	Superannuation beneftis	Total
	$	$	$	$	$	$
David van Aanholt	41,456	3,938	45,394	-	-	-
Lawrence Gibbs	83,175	7,902	91,077	-	-	-
John Wilson	83,175	7,902	91,077	-	-	-
Former non-executive director						
Tony Pitt	26,140	2,483	28,623	-	-	-
Ian Fraser	28,957	2,751	31,708	73,059	6,941	80,000
Chris Breach	23,527	2,235	25,762	59,361	5,639	65,000
John Wright	25,337	2,407	27,744	63,927	6,073	70,000
	311,767	**29,618**	**341,385**	**196,347**	**18,653**	**215,000**

(1) Ian Fraser was the Chairman of the Board up until 23 November. David van Aanholt is the current Chairman of the Board
(2) John Wright was the Chairman of the Audit, Risk and Compliance Committee up until 23 November 2017. Lawrence Gibbs is the current Chairman of Audit and Risk Committee.

(3) Fees paid to Lawrence Gibbs and John Wilson includes an additional fees of $54,672 for period of January to June being fees for additional time and effort required during the year to fulfil their responsibilities.

The Board of APDC Holdings reviews its fees to ensure that NEDs are remunerated fairly for their services, recognising the level of skill, expertise and experience required to conduct the role. The Board ensures it is remunerating directors at a level that enables APDC Group to attract and retain appropriate NEDs. The Board may obtain the advice of independent remuneration consultants to ensure that NED fees and payments are appropriate and in line with the market.

6.5 Directors' interests in stapled securities

The directors' interests in stapled securities as at 30 June 2018 and as at 21 August 2018 were nil (30 June 2017: nil).

7. Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

8. Indemnification and insurance of officers and auditors

APDC Holdings provides a Deed of Indemnity and Access (Deed) in favour of each of the directors and officers of APDC Holdings and its subsidiary companies. The Deed indemnifies these persons on a full indemnity basis to the extent permitted by law for losses, liabilities, costs and charges incurred as a director or officer of APDC Holdings, its subsidiaries or such other entities.

To the extent permitted by law, APDC Group has agreed to indemnify its auditor, Ernst & Young against claims made by third parties for matters arising in relation to the audit. No payment has been made under indemnity.

During the year, APDC Holdings has paid insurance premiums to insure the directors and officers of APDC Holdings and its subsidiary companies. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as directors or officers of APDC Holdings and its subsidiary companies, and any other payment arising from liabilities incurred by directors or officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving wilful breach of duty by the directors or officers or the improper use by the directors or officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to APDC Holdings and its subsidiary companies.

The terms of the policy prohibit disclosure of details of the amount of the insurance cover and the premium paid.

9. Environmental regulation

The operations of the Group are not subject to any particular significant environmental regulation under a law of the Commonwealth, State or Territory. There have been no known breaches of any environmental regulations applicable to the Group.

10. Non-audit services

During the year KPMG and Ernst & Young have performed certain other services in addition to the audit and review of the financial statements. Following the resignation of KPMG, Ernst & Young was appointed as the auditor of the Group and APDC Trust in December 2017.

The Board has considered the non-audit services provided during the year by the auditors and in accordance with a recommendation from the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with and did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Board and have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards (APES) 110 Code of Ethics for Professional Accountants.

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the Group and its network firms:

	Consolidated APDC Group 2018	Consolidated APDC Group 2017	APDC Trust 2018	APDC Trust 2017
Tax compliance services				
Ernst & Young	13,000	-	8,000	-
KPMG	9,852	21,548	9,440	15,255
Total remuneration of Auditor for non-audit services	**22,852**	**21,548**	**17,440**	**15,255**

11. Rounding of amounts to the nearest thousand dollars

The Group are of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the Directors' Report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise stated.

This report is made in accordance with resolutions of the Directors of Asia Pacific Data Centre Holdings Limited and Asia Pacific Data Centre Limited as responsible entity for Asia Pacific Data Centre Trust.

David van Aanholt
Chairman
Asia Pacific Data Centre Holdings Limited

Frank Tearle
Director
Asia Pacific Data Centre Limited

Sydney
21 August 2018

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Auditor's Independence Declaration to the Directors of Asia Pacific Data Centre Holdings Limited and Asia Pacific Data Centre Limited as Responsible Entity for Asia Pacific Data Centre Trust

As lead auditor for the audit of Asia Pacific Data Centre Holdings Limited and Asia Pacific Data Centre Trust for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Asia Pacific Data Centre Holdings Limited and its controlled entities and Asia Pacific Data Centre Trust.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
21 August 2018

Statements of Profit or Loss and Other Comprehensive Income

	Note	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Revenue					
Rental income		13,785	13,393	13,785	13,393
Interest income		59	86	50	64
Net gain from fair value adjustment on assets held for sale	12	48,200	-	48,200	-
Net gain from fair value adjustment on investment properties	13(c)	-	25,800	-	25,800
Total revenue		62,044	39,279	62,035	39,257
Expenses					
Operating expenses		1,467	1,199	1,474	1,177
Transaction and project costs [(1)]		5,960	-	5,960	-
Interest expense and finance costs		1,247	1,178	1,247	1,178
Total expenses		8,674	2,377	8,681	2,355
Profit before income tax expense		**53,370**	**36,902**	**53,354**	**36,902**
Income tax expense	8	16	-	-	-
Profit for the year		**53,354**	**36,902**	**53,354**	**36,902**
Profit for the half year attributable to:					
Owners of APDC Holdings		-	-	-	-
Owners of APDC Trust		-	-	53,354	36,902
Non-controlling interest - members of APDC Trust		53,354	36,902	-	-
Total profit for the year		**53,354**	**36,902**	**53,354**	**36,902**
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Effective portion of changes in fair value of cashflow hedge	16(c)	273	274	273	274
Other comprehensive income, net of tax		**273**	**274**	**273**	**274**
Total comprehensive income for the year		**53,627**	**37,176**	**53,627**	**37,176**
Total comprehensive income for the year attributable to:					
Owners of APDC Holdings		-	-	-	-
Owners of APDC Trust		-	-	53,627	37,176
Non-controlling interest - members of APDC Trust		53,627	37,176	-	-
Total comprehensive income for the year		**53,627**	**37,176**	**53,627**	**37,176**
Basic and diluted earnings per security (cents)	9	46.39	32.09	46.39	32.09

(1) These were costs in respect of takeover offer and professional advisory/legal fees on various corporate activities

The accompanying notes are an integral part of these financial statements.

Statements of Financial Position as at 30 June 2018

	Note	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Current assets					
Cash and cash equivalents		4,832	7,098	4,592	5,533
Assets held for sale	12	261,000	-	261,000	-
Trade and other receivables	11	1,150	1	500	500
Security deposit		4	8	-	-
Prepayments		137	25	-	-
Total current assets		**267,123**	**7,132**	**266,092**	**6,033**
Non-current assets					
Investment properties	13	-	212,800	-	212,800
Deferred tax asset		13	15	-	-
Total non-current assets		**13**	**212,815**	**-**	**212,800**
Total assets		**267,136**	**219,947**	**266,092**	**218,833**
Current liabilities					
Trade and other payables	14	2,609	1,992	2,724	2,042
Distribution payable	10	2,875	2,794	2,875	2,794
Interest bearing liabilities	15	28,972	-	28,972	-
Derivatives	16(e)	90	-	90	-
Provision for employee benefits		9	14	-	-
Total current liabilities		**34,555**	**4,800**	**34,661**	**4,836**
Non-current liabilities					
Interest bearing liabilities	15	-	24,905	-	24,905
Derivatives	16(e)	-	363	-	363
Total non-current liabilities		**-**	**25,268**	**-**	**25,268**
Total liabilities		**34,555**	**30,068**	**34,661**	**30,104**
Net assets		**232,581**	**189,879**	**231,431**	**188,729**
Equity					
Contributed equity	17	1,150	1,150	109,150	115,110
Asset revaluation reserve	18(a)	-	-	122,102	73,902
Cashflow hedge reserve	18(a)	-	-	(90)	(363)
Undistributed income		-	-	269	80
Total equity attributable to owners of APDC Holdings/APDC Trust		1,150	1,150	231,431	188,729
Non-controlling interest attributable to APDC Trust		231,431	188,729	-	-
Total equity		**232,581**	**189,879**	**231,431**	**188,729**

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity – the Group

	Contributed equity $'000	Total equity attributable to owners of APDC Holdings $'000	Non-controlling interest attributable to APDC Trust $'000	Total equity $'000
Total equity at 1 July 2016	**1,150**	**1,150**	**162,731**	**163,881**
Total comprehensive income for the year				
Profit for the year	-	-	36,902	36,902
Other comprehensive income for the year	-	-	274	274
Total comprehensive income for the year	**-**	**-**	**37,176**	**37,176**
Transactions with owners of the Group:				
Contributions by and distributions to owners of the Group				
Distributions paid or provided for	-	-	(11,178)	(11,178)
Total contribution by and distributions to owners of the Group	**-**	**-**	**(11,178)**	**(11,178)**
Total equity at 30 June 2017	**1,150**	**1,150**	**188,729**	**189,879**
Total comprehensive income for the year				
Profit for the year	-	-	53,354	53,354
Other comprehensive income for the year	-	-	273	273
Total comprehensive income for the year	**-**	**-**	**53,627**	**53,627**
Transactions with owners of the Group:				
Contributions by and distributions to owners of the Group				
Distributions paid or provided for	-	-	(10,925)	(10,925)
Total contribution by and distributions to owners of the Group	**-**	**-**	**(10,925)**	**(10,925)**
Total equity at 30 June 2018	**1,150**	**1,150**	**231,431**	**232,581**

The accompanying notes are an integral part of these consolidated financial statements.

Statement of Changes in Equity – APDC Trust

	Contributed equity $'000	Undistributed Income $'000	Asset revaluation reserve $'000	Cashflow hedge reserve $'000	Total equity $'000
Total equity at 1 July 2016	**115,110**	**156**	**48,102**	**(637)**	**162,731**
Total comprehensive income for the year					
Profit for the year	-	36,902	-	-	36,902
Other comprehensive income for the year	-	-	-	274	274
Total comprehensive income for the year	**-**	**36,902**	**-**	**274**	**37,176**
Transactions with owners of the Group:					
Contributions by and distributions to owners of the Trust					
Transfer to asset revaluation reserve	-	(25,800)	25,800	-	-
Distributions paid or provided for	-	(11,178)	-	-	(11,178)
Total contribution by and distributions to owners of the Trust	**-**	**(36,978)**	**25,800**	**-**	**(11,178)**
Total equity at 30 June 2017	**115,110**	**80**	**73,902**	**(363)**	**188,729**
Total comprehensive income for the year					
Profit for the year	-	53,354	-	-	53,354
Other comprehensive income for the year	-	-	-	273	273
Total comprehensive income for the year	**-**	**53,354**	**-**	**273**	**53,627**
Transfer to asset revaluation reserve	-	(48,200)	48,200	-	-
Distributions paid or provided for	(5,960)	(4,965)	-	-	(10,925)
Total contribution by and distributions to owners of the Trust	**(5,960)**	**(53,165)**	**48,200**	**-**	**(10,925)**
Total equity at 30 June 2018	**109,150**	**269**	**122,102**	**(90)**	**231,431**

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows

		Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Cashflows from operating activities					
Receipts from lessee		15,344	16,064	15,344	16,064
Payments to suppliers and employees		(1,629)	(1,175)	(1,356)	(1,111)
Payments of transaction and project costs		(5,960)	-	(5,960)	-
Net GST payment to ATO		(942)	(1,388)	(1,030)	(1,410)
Interest received		59	87	50	64
Net cash inflows from operating activities		**6,871**	**13,588**	**7,047**	**13,607**
Cashflows from investing activities					
Payments for investment properties		-	-	-	-
Disposal of a subsidiary		(1,150)	-	-	-
Net cash outflows from investing activities		**(1,150)**	**-**	**-**	**-**
Cashflows from financing activities					
Loan drawdown	16(b)	4,000	-	4,000	-
Payment of interest and finance costs		(1,143)	(1,126)	(1,143)	(1,126)
Payment of distributions		(10,845)	(11,178)	(10,845)	(11,178)
Net cash outflows from financing activities		**(7,988)**	**(12,304)**	**(7,988)**	**(12,304)**
Net increase/(decrease) in cash and cash equivalents		(2,266)	1,284	(941)	1,303
Cash and cash equivalents at the beginning of the half year		7,098	5,814	5,533	4,230
Cash and cash equivalents at the end of the year		**4,832**	**7,098**	**4,592**	**5,533**

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entities

The reporting entities are:

(a) Asia Pacific Data Centre Group (APDC Group or Group) comprising Asia Pacific Data Centre Holdings Limited (APDC Holdings) and its controlled entities (including Asia Pacific Data Centre SPV Pty Limited (APDC SPV), a wholly owned subsidiary), and Asia Pacific Data Centre Trust (APDC Trust) (collectively 'Group entities') and

(b) APDC Trust.

The consolidated financial statements of the Group incorporate the assets and liabilities of APDC Holdings and its controlled entities (including APDC SPV) and APDC Trust. The shares of APDC Holdings are stapled to units in APDC Trust.

The stapled securities cannot be traded or dealt with separately. The Constitutions of APDC Holdings and APDC Trust ensure that, for so long as the two entities remain jointly quoted, the number of shares of APDC Holdings and the number of units in APDC Trust are equal and shareholders and unitholders are identical.

APDC Holdings was registered as a company on 24 July 2012, APDC SPV registered as a company on 5 January 2018, and APDC Trust was established on 1 November 2012. All entities are domiciled in Australia. APDC Group was established on 3 December 2012 and was quoted on the Australian Securities Exchange (ASX Code: AJD) from 9 January 2013.

As permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838 issued by the Australian Securities & Investments Commission, this report presents the consolidated financial statements of the Group and the financial statements of APDC Trust, and their accompanying notes.

The Group entities are for-profit for the purpose of preparing the financial statements.

2. Basis of preparation

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AAS) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board.

The financial statements were authorised for issue by the Board of Directors on the date the Directors' Report is signed. The Directors have the power to amend and reissue the financial statements.

The Group and APDC Trust are of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the Directors' Report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise stated.

(b) Going concern

The financial statements are prepared on a going concern basis. As at 30 June 2018 the Group's investment property portfolio is classified as held for sale following the expression of interest campaign relating to the sale of the properties. On 14 February 2018, the Group announced that it had agreed terms and exchanged non-binding letters with the preferred purchaser for the sale of the portfolio. On 5 March 2018, the preferred purchaser withdrew from the sales process due to reasons external to the APDC Portfolio. The assets are currently subject to an expression of interest campaign.

On 14 December 2017, NEXTDC Limited (ASX code: NXT) advised the securityholders of APDC Trust that it intended to convene a meeting to wind up APDC Trust. The meeting was scheduled to be on 31 January 2018. On 29 January 2018, 360 Capital Group (ASX code: TGP) initiated proceedings in the supreme court of NSW seeking declaratory relief that it is entitled to vote at the meeting. The parties have provided undertakings for the adjournment of the securityholders' meeting until the date which is 5 business days after the proceedings have been determined or have otherwise settled.

Notes to the financial statements

2. Basis of preparation (cont.)

(b) Going concern (cont.)

As there is no certainty as to the sale of the portfolio or the outcome of the court proceedings and the proposed meeting to vote on the wind up of the APDC Trust, the Directors believe that the going concern basis of preparation for the financial statements is appropriate. Should the sale of the portfolio proceed, and the decision made to wind up the Group, the costs, including selling, cost of extinguishing any financing arrangements of the Group and wind up costs would be incurred. These costs are estimated to be approximately $2.5 million however the actual costs may vary depending on sales contact negotiations, the timing of the wind up and other unforeseen events.

(c) Basis of measurement

The financial statements have been prepared under the historical cost convention except for investment properties and derivative financial instruments which have been measured at fair value.

(d) Significant judgements and estimates

The preparation of these financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

In applying accounting policies, management continually evaluates estimates, assumptions and historical judgments based on experience and other factors, including expectations about future events that may have an impact on the Group entities. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions.

Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

- Investment properties – operating leases

  APDC Trust has commercial property leases and earned rent on the Melbourne (M1), Sydney (S1) and Perth (P1) properties during the year.

  As APDC Trust retains all the significant risks and rewards of ownership of these properties the leases have been classified as operating leases (refer Note 3(g)).

- Investment properties – valuation

  At each reporting date, the fair values of the investment properties are assessed according to the accounting policy on valuing assets and applying generally accepted valuation criteria, methodology and assumptions (refer Note 3(h)).

(e) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the functional currency of each of the Group entities.

3. Summary of significant accounting policies

The significant policies which have been adopted in the preparation of these financial statements for the year ended 30 June 2018 are set out below. These policies have been consistently applied, unless otherwise stated.

The Group entities have not early adopted any accounting standards.

(a) Changes in accounting policies

There was no material impact on the financial report as a result of adoption of the new and amended accounting standard and interpretations effective for annual reporting periods beginning on or after 1 July 2017.

3. Summary of significant accounting policies (cont.)

(b) Principles of consolidation

Stapling

The shares of APDC Holdings are stapled to units of APDC Trust. These stapled shares and units are also referred to as stapled securities and/or securities.

Stapling transactions are considered business combinations and are accounted for under AASB 3 Business Combinations using the acquisition method at the acquisition date.

AASB 3 requires one of the combining entities in a stapling transaction to be identified as the acquirer for accounting purposes. The acquirer is also the parent entity of the Group. The parent entity is required to prepare consolidated financial statements in accordance with the principles of AASB 10 Consolidated Financial Statements.

Where a business combination occurs through contract alone, the acquirer attributes the acquiree's net assets recognised in accordance with AASB 3 to the owners. Any equity interest held by the parties other than the acquirer is a non-controlling interest.

APDC Holdings has been identified as the acquirer and the parent for the purposes of preparing the consolidated financial statements of the Group. Therefore, APDC Limited and APDC Trust are included in the consolidated financial statements of the Group.

APDC Holdings does not own any units in the APDC Trust and there was no consideration paid.

Non-controlling interests in the financial statements of the Group represent the equity attributable to unitholders of APDC Trust. Non-controlling interest is defined as that portion of the profit or loss and net assets of APDC Trust and its subsidiaries which are not owned by APDC Holdings (parent) directly or indirectly through subsidiaries. On the basis that APDC Holdings has no ownership interest in APDC Trust, the net assets of the APDC Trust are identified as non-controlling interests and presented in the Group's Statement of Financial Position within equity separately from the APDC Holding's shareholders equity.

The profit or loss of APDC Trust is separately disclosed as non-controlling interest in the profit or loss of the Group.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

(c) Revenue recognition

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

The Group and APDC Trust recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the activities as described below.

Revenue is recognised for each of the business activities as follows:

Notes to the financial statements

3. Summary of significant accounting policies (cont.)

(c) Revenue recognition (cont.)

Rental income

Rental income is recognised on a straight-line basis over the lease term.

Interest income

Interest income is recognised using the effective interest method.

(d) Expenses

All expenses are accounted for on an accruals basis.

Expenses which are incidental to the acquisition of an investment property are included within the cost of that property.

(e) Taxation

APDC Holdings and APDC SPV

APDC Holdings and its subsidiary have formed an income tax consolidated group under the tax consolidation regime effective on and from 16 January 2018. APDC Limited was part of the tax consolidated group until 16 January 2018 when it was sold to OIG. APDC Holdings and its subsidiaries in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided on all temporary differences at balance date on the difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realised through the continued use or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance date.

APDC Trust

Under current Australian tax legislation, APDC Trust is not liable for income tax, provided that the taxable income (including any assessable component of any capital gains from the sale of investment assets) is fully distributed to unitholders each year.

Distributions in excess of the taxable income of the APDC Trust are treated as tax deferred distributions.

The tax deferred component reduces a securityholder's capital gains tax base applicable to the units held in APDC Trust.

Notes to the financial statements

3. Summary of significant accounting policies (cont.)

(f) Goods and Services Tax

The Group entities are part of a Goods and Services Tax (GST) consolidated group.

Revenues, expenses and assets are recognised net of the amount of GST except where the GST is incurred on a purchase of goods and services and is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(g) Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Properties leased under operating leases are classified as investment properties. The Directors have determined that APDC Trust retains all the significant risks and rewards of ownership of its investment properties and has thus classified the leases as operating leases.

(h) Assets held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. The assets must meet the following criteria:

- the asset is available for immediate sale in its present condition and is highly probable;
- an active program to locate a buyer an complete a sale must have been identified;
- the assets must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale should be completed within 12 months from the date of classification.

Immediately before applying the classification as held for sale, the measurement of the asset is brought up to date in accordance with applicable accounting standards.

Investment properties which are classified as held for sale are carried at fair value as the measurement provision of AASB 5 Non-current Asset Held for Sale and Discontinued Operations do not apply to investment properties.

Impairment losses determined at the time of initial classification of the non-current asset as held for sale are included in the statement of profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent measurement.

(i) Investment properties

Investment properties comprising freehold land and buildings (including certain plant and equipment) are held for long term rental yields and capital appreciation and are not occupied by the Group.

The acquisition of land and buildings is accounted for as an asset acquisition. Investment properties are initially recognised at cost including any acquisition costs.

Fair value

Investment properties are carried at fair value at each reporting date with any gain or loss arising from a change in fair value recognised as profit or loss in the year. Land and buildings (including certain plant and equipment) that comprise investment property are not depreciated.

Notes to the financial statements

3. Summary of significant accounting policies (cont.)

(i) Investment properties (cont.)

The fair value of investment properties is assessed by the Directors, in accordance with AASB 13 *Fair Value Measurement,* using a valuation technique to estimate the price at which an orderly transaction to sell the asset would take place between market participants under current market conditions.

At each reporting date, the fair value of the investment properties is assessed by the Directors by reference to independent valuation reports or through other appropriate valuation techniques.

The potential effect of capital gains tax (CGT) on disposal has not been taken into account in the determination of the revalued carrying amount as it is expected that all realised gains on the sale of assets will be distributed to securityholders.

Subsequent costs

APDC Trust recognises in the carrying amount of an investment property the cost of replacing part of that investment property when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost can be measured reliably. All other costs are recognised in the profit or loss as an expense as incurred.

(j) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired.

Cost is measured at the fair value of the assets given up.

Securities issued, or liabilities assumed at the date of acquisition plus incidental costs are directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(k) Cash and cash equivalents

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

(l) Trade and other receivables

Trade and other receivables

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

The effective interest rate is a method of calculating the amortised cost of a financial asset or a financial liability and of collating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, cash flow estimates consider all contractual terms of the financial instruments.

Short term receivables are not discounted where the effect is not material.

Impairment

An assessment is made at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Notes to the financial statements

3. Summary of significant accounting policies (cont.)

(m) Non-derivative financial liabilities

Non-derivative financial liabilities comprise interest bearing loans and trade and other payables. The Group entities classify non-derivative financial liabilities into the other liabilities category.

Such liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Short term non-derivative financial liabilities are not discounted where the effect is not material.

(n) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposure.

Derivatives (including interest rate swaps) are recognised initially at fair value. Any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are remeasured to their fair value at each reporting date.

The Group documents at the inception of the hedging transaction the relationship between the hedging instrument and hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedge item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

If the hedging instrument is held to maturity, no profit or loss would result on expiry.

(o) Provisions

Provisions are recognised when the Group entities have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date.

(p) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave are expensed as the related service is provided. The liability for annual leave is recognised for the amounts expected to be paid in provisions.

Other long-term employee benefit obligations

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

Notes to the financial statements

3. Summary of significant accounting policies (cont.)

(p) Employee benefits (cont.)

Retirement benefit obligations

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

(q) Contributed equity

APDC Holdings

Ordinary shares are classified as equity.

APDC Trust

Under its Constitution, APDC Trust has been established as an indefinite life trust and the distributions are at the discretion of the Directors of the responsible entity. Accordingly, the units issued are classified as equity.

Costs of issue of new stapled securities

Costs directly attributable to the issue of new stapled securities are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new stapled securities or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(r) Dividends/distributions

APDC Holdings

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

APDC Trust

Each reporting period the Directors of APDC Limited as the responsible entity are required to determine the distribution entitlement of the unitholders of the Trust in respect of the period. Any amounts so determined but not paid by the end of the period, are recorded as a liability.

(s) Earnings per security

Basic earnings per security

Basic earnings per security is determined by dividing profit attributable to securityholders by the weighted average number of ordinary securities on issue during the period.

Diluted earnings per security

Diluted earnings per security is determined by dividing profit attributable to securityholders by the weighted average number of ordinary securities and dilutive potential ordinary securities on issue during the period.

Profit attributable to APDC Trust

The issued units of APDC Trust are presented as a non-controlling interest, and therefore the profit attributable to APDC Trust is excluded from the calculation of basic and diluted earnings per security presented in the consolidated statement of profit or loss and other comprehensive income.

4. Segment information

The Group entities present operating segments based on the internal information that is available to the Chief Executive Officer (CEO) of APDC Holdings. The Group entities operate wholly within Australia and derive rental income from investments in commercial property and 100% of this income is derived from one tenant and as such this is considered to be the only segment in which the Group is engaged.

The operating results are regularly reviewed by the CEO to make decisions about resources to be allocated and to assess performance. There are no reconciling items that exist between the discrete financial information reviewed by the CEO and the financial statements relating to revenue, profit or loss, assets and liabilities or other material items.

Notes to the financial statements

5. New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for future annual reporting periods, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments (effective 1 January 2018).

AASB 9 Financial Instruments provides revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published.

The Group has undertaken an assessment of the classification and measurement of financial instruments and determined there will be no change in either accounting procedures for financial instruments or to the Group's financial statement disclosures. The Group will adopt AASB 9 from 1 July 2018 and will not restate comparative information as permitted by Standard.

The new impairment model requirements to recognise impairment provisions based on expected credit losses (ECL) has no impact to the Group.

As permitted by AASB 9 the Group has chosen to continue to apply the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurement*.

AASB 15 Revenue from Contracts with Customers (effective 1 January 2018)

AASB 15 Revenue from Contracts with Customers establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is not applicable until 1 January 2018 but is available for early adoption.

The Group's revenues are mainly rental income arising from operating leases on investment properties which is outside the scope of AASB 15 (leases are within the scope of AASB 117) and interest income from deposits held in banks and other highly liquid short term investments. Interest income is within the scope of AASB 9 Financial Instruments.

This new standard is not expected to have an impact on the financial statements of the Group.

AASB 16 Leases (effective 1 January 2019)

AASB 16 Leases removes the classification of leases as either operating or finance leases for the lessee, effectively treating all leases as finance leases. Short term leases and leases of low-value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

The Group does not have long term lease arrangements or commitments.

The Group is assessing the lessor accounting of new standard and does not anticipate a significant impact on the Group's Financial Reports on initial application.

Amendments to AASB 107 Disclosure Initiative (effective 1 January 2017)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group has adopted the amendments from 1 July 2017. The information for both the current and comparative period are in Note 16(b).

Notes to the financial statements

6. Responsible entity management fees

APDC Limited, the responsible entity of APDC Trust, is entitled to a management fee of up to 2% per annum of the gross asset value of APDC Trust. This fee is payable from the income (or other assets) of APDC Trust, as and when incurred.

As long as APDC Trust does not have its own management structure and APDC Limited provides responsible entity services to APDC Trust and the units in APDC Trust are stapled to the shares in APDC Holdings, APDC Limited will charge APDC Trust on a cost recovery basis for the direct APDC Trust expenses and for the operating expenses of APDC Holdings and APDC Limited.

Management fees of $1,219,000 were expensed by APDC Trust from 1 July 2017 to the date of sale on 16 January 2018 (2017: $809,000).

On 16 January 2018 the shares in APDC Limited were sold to OIG. Following the sale, APDC Limited is entitled to receive an annual management fee equal to 0.07% of the gross assets of APDC Trust (subject to a minimum fee of $200,000 per annum). A total fee of $92,000 was paid to OIG for financial year 2018. At 30 June 2018, management fees of nil were payable to APDC Limited (2017: $81,000).

7. Remuneration of auditor

During the year, the auditor of the Group entities earned the following remuneration:

	Consolidated APDC Group 2018 $	Consolidated APDC Group 2017 $	APDC Trust 2018 $	APDC Trust 2017 $
Ernst & Young				
Assurance	73,300	-	61,300	-
Taxation services	13,000	-	8,000	-
KPMG				
Assurance	-	76,010	-	40,785
Taxation services	9,852	21,548	9,440	15,255
Total auditor remuneration	**96,152**	**97,558**	**78,740**	**56,040**

Notes to the financial statements

8. Income tax

	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Profit before income tax	**53,370**	**36,902**	**53,354**	**36,902**
Current income tax charge	14,686	11,071	14,672	11,071
Deferred tax:				
Relating to origination and reversal of temporary differences	2	-	-	-
Tax effect of amounts which are not deductible/(taxable) in				
APDC Trust income	(14,672)	(11,071)	(14,672)	(11,071)
Income tax expense	**16**	**-**	**-**	**-**

APDC Trust

Under current Australian tax legislation, APDC Trust is not liable for income tax provided that the taxable income (including any assessable component of any capital gains from the sale of investment assets) is fully distributed to unitholders each year.

Distributions in excess of the taxable income of APDC Trust are treated as tax deferred distributions.

The tax deferred component reduces a securityholder's capital gains tax base applicable to the units held in APDC Trust.

9. Earnings per security

Earnings per share

	Consolidated APDC Group 2018	Consolidated APDC Group 2017	APDC Trust 2018	APDC Trust 2017
Earnings used in the calculation of earnings per security ($'000)	53,354	36,902	53,354	36,902
Basic earnings per security (cents)	46.39	32.09	46.39	32.09
Diluted earnings per security (cents)	46.39	32.09	46.39	32.09
Weighted average number of securities on issue used in the calculation of basic and diluted earnings per security	115,000,100	115,000,100	115,000,100	115,000,100
Distributable earnings ($'000)(1)	11,114	11,102	11,114	11,102
Distributable earnings per security (cents)	9.66	9.65	9.66	9.65
Weighted average number of securities on issue used in the calculation of distributable earnings per security	115,000,100	115,000,100	115,000,100	115,000,100

(1) Refer to Note 10.

Notes to the financial statements

10. Distributions paid and payable

The following distributions were paid and payable by APDC Trust:

	Distribution cents per stapled security	Total amount $'000	Tax deferred %	Taxable %
For the year ended 30 June 2018:				
Distributions for the quarter ended:				
30 September 2017	-	-	-	-
31 December 2017	5.00	5,750	-	-
31 March 2018	2.00	2,300	-	-
30 June 2018	2.50	2,875	-	-
	9.50	**10,925**	**53.09**	**46.91**
For the year ended 30 June 2017:				
Distributions for the quarter ended:				
30 September 2016	2.43	2,795	-	-
31 December 2016	2.43	2,794	-	-
31 March 2017	2.43	2,795	-	-
30 June 2017	2.43	2,794	-	-
	9.72	**11,178**	**24.69**	**75.31**

The 53.09% tax deferred component of the distribution includes return of capital, building allowance, building depreciation and timing differences.

Distributable earnings for the year was $11,114,000 or 9.66 cents per stapled security as per the table below:

	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Profit for the year	53,354	36,902	53,354	36,902
Transaction and project costs	5,960	-	5,960	-
Net gain from fair value adjustment on assets held for sale (1)	(48,200)	-	(48,200)	-
Net gain from fair value adjustment on investment properties (1)	-	(25,800)	-	(25,800)
Distributable earnings (including return of capital)	11,114	11,102	11,114	11,102
Undistributed income brought forward	80	156	80	156
Amount available for distribution	11,194	11,258	11,194	11,258
Distributions paid and payable	(10,925)	(11,178)	(10,925)	(11,178)
Undistributed income carried forward	**269**	**80**	**269**	**80**

(1) Unrealised gains or losses, including unrealised fair value gains and losses on revaluation of investment properties. Refer to Notes 3(h) and 12.

Transaction and project costs were costs incurred in respect to the proposed take-over offers of APDC during the period, costs included of engaging corporate and legal advisers on various corporate activities.

Notes to the financial statements

11. Trade and other receivables

At 30 June 2018, APDC Trust has an intercompany receivable of $500,000 (2017: $500,000) representing an advance for working capital to APDC Holdings and APDC Limited respectively. The loan is repayable on demand and interest free. The total trade and other receivables for the Group pertains a receivable of $1,150,000 being the consideration for the sale of the responsible entity to OIG. The amount is payable on the first anniversary of the effective date of sale (16 January 2019).

12. Assets held for sale

	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
M1, Melbourne	98,500	-	98,500	-
S1, Sydney	117,500	-	117,500	-
P1, Perth	45,000	-	45,000	-
	261,000	**-**	**261,000**	**-**

Movements in the carrying value during the half year are as follows:

	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Balance at 1 July	-	-	-	-
Reclassification from investment properties (Note 13)	212,800	-	212,800	-
Fair value adjustment of assets held for sale	48,200	-	48,200	-
Closing balance	261,000	-	261,000	-

The fair value of the assets held for sale is derived using the basis set out in Note 13(a) to the financial statements

Fair value of assets held for sale

Property	Acquisition date	Cost $'000	Previous fair value adjustments $'000	Fair value 2017 $'000	Fair value adjustments 2018 $'000	Fair value 2018 $'000
M1, Melbourne	21-Dec-12	52,005	27,995	80,000	18,500	98,500[2]
S1, Sydney[1]	21-Dec-12	57,548	37,752	95,300	22,200	117,500[3]
P1, Perth	21-Dec-12	28,470	9,030	37,500	7,500	45,000[3]
Total		**138,023**	**74,777**	**212,800**	**48,200**	**261,000**

All independent valuations used the capitalisation and discounted cash flow valuation methods.

(1) The Bankwest Debt Facility is secured by a mortgage over S1 Sydney data centre asset. Refer Note 14.

(2) Valued by Hamish Johnston, CPV AAPI, Colliers International.

(3) Valued by Tanya Rofe, AAPI MRICS, Colliers International.

The assets held for sale are carried at fair value of the property as assessed by the Directors by reference to the most recent independent valuation for that property updated to take into account any changes in valuation factors (refer Note 13(a) Basis of valuation). Fair value may increase or decrease in future. Refer Note 13(b).

Notes to the financial statements

12. Assets held for sale (cont.)

The key comparative rates used in the valuations are as follows:

	Annual net property income per m^2		Adopted capitalisation rate (passing initial yield)		Adopted discount rate		
Property	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**Lease expiry**
M1, Melbourne	$ 287	$ 295	6.25%	5.21%	7.00%	6.25%	20-Dec-27
S1, Sydney	$ 305	$ 305	6.25%	5.19%	7.25%	6.00%	14-May-28
P1, Perth	$ 292	$ 297	7.50%	6.31%	8.00%	7.25%	29-Nov-28

13. Investment properties

APDC Trust has three investment properties - Melbourne (M1), Sydney (S1) and Perth (P1).

All properties/data centres are leased to NEXTDC Limited (NEXTDC) for initial terms of 15 years expiring in 2027 (M1) and 2028 (S1 and P1) with options for further terms of up to another 25 years. The leases are on triple net terms pursuant to which all maintenance, taxes, insurance and outgoings are paid by the tenant, NEXTDC. The leases provide for upwards only annual CPI rental increases and market reviews in every fifth year, not exceeding 110% of the preceding year's rent. If a market rent review is not undertaken, then a CPI review will apply. Each annual rent review date is 21 December.

NEXTDC has made rental payments for M1, S1 and P1 in accordance with the lease agreements.

If the Group wishes to sell M1, S1 and P1, NEXTDC has the first right to acquire these properties.

At reporting date, investment properties were reclassified to current assets as assets held for sale.

(a) Basis of valuation

The carrying amount of investment property is the fair value of the property as assessed by the Directors (refer Note 3(i)).

The Directors assess fair value based on the most recent independent valuation updated to take into account any changes in estimated rental income, property capitalisation rates or estimated yields with reference to market evidence of transaction prices for similar properties.

Independent valuations, when obtained, are performed by an independent valuer with a recognised professional qualification and recent experience in the location and category of the property being valued. The independent valuations utilise the following methodologies: active market prices, capitalisation of net income and discounted cash flow:

i. The active market prices method assesses a property's value based on the sale price of comparable properties that have recently traded in commercial, arm's length transactions.

ii. The capitalisation of net income method capitalises the current rent received, at a rate analysed from the most recent transactions of comparable property investments, adjusted to take into consideration a number of factors including:
   - lease term remaining;
   - the relationship of current rent to the market rent;
   - the location;
   - prevailing investment market conditions; and
   - other property specific conditions.

iii. The discounted cash flow method calculates a property's value by using projections of future cash flows and terminal value derived from the term of any existing leases, and from external evidence such as current market rents for similar properties in the same area and condition, and using discount rates that reflect the current market assessments of the uncertainty in the amount and timing of cash flows specific to the asset.

Notes to the financial statements

Independent valuations for each investment property will take place once every three years or earlier should the Directors consider it appropriate. In accordance with the Compliance Plan for APDC Trust and to maintain independence, new valuers were appointed to perform valuation reports for all of the data centres as at 30 June 2018.

13. Investment properties (cont.)

(b) Measurement of fair value

Fair value hierarchy

AASB 13 *Fair Value Measurement* (AASB 13) requires the disclosure of fair values for each of the following measurement categories:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The fair value measurement of investment properties of $261,000,000 has been categorised as Level 3.

During the year, there were no transfers between Level 1, Level 2 and Level 3 fair value categories.

Significant unobservable inputs

Refer to the table in Note 12 for significant unobservable inputs and the valuation method used for each investment property.

The table includes the following descriptions and definitions relating to valuation techniques and significant unobservable inputs made in determining the fair values:

Annual Net Property Income per m^2	**The annual rent per square metre at which space could be let in the market conditions prevailing at the date of valuation.**
Capitalisation Rate	The rate at which net property income is capitalised to determine the value of a property. The rate is determined with regard to market evidence.
Discount Rate	The rate used to discount the net cash flows generated from rental and investment activities during the period of analysis (estimated for up to 10 years).
Lease Term	The remaining term of the lease (excluding option).

The relationship between fair value and the significant unobservable inputs is as follows:

- There is a higher likelihood of a positive effect on fair value when any of these changes in unobservable inputs occur:
    - increase in Annual Net Property Income
    - decrease in Capitalisation Rate
    - decrease in Discount Rate
    - increase in Lease Term.
- Alternatively, there is a higher likelihood of a negative effect on fair value when any of these changes in unobservable inputs occur:
    - decrease in Annual Net Property Income
    - increase in Capitalisation Rate
    - increase in Discount Rate
    - decrease in Lease Term.

13. Investment properties (cont.)

A reconciliation of the carrying amount of investment properties is set out below:

	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Carrying amount at the beginning of the period	212,800	187,000	212,800	187,000
Fair value adjustments	-	25,800	-	25,800
Reclassification to assets held for sale	(212,800)	-	(212,800)	-
Carrying amount at the end of the period	-	**212,800**	-	**212,800**

The investment property portfolio was transferred to assets held for sale following the commencement of the EOI campaign at their carrying value and subsequently revalued at 30 June 2018.

(c) Investment property related amounts recognised in the Statement of Comprehensive Income

Property	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Rental income	13,785	13,393	13,785	13,393
Net gain from fair value adjustment for assets held for sale	48,200	-	48,200	-
Net gain from fair value adjustment for investment properties	-	25,800	-	25,800
Direct operating expenses of properties that generated rental income	-	-	-	-

(d) Leases as a Lessor

The minimum future lease payments receivable under non-cancellable operating leases of investment properties are as follows:

	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Within one year	14,060	13,708	14,060	13,708
Later than one year but not later than five years	56,240	55,677	56,240	55,677
Later than five years	68,125	81,359	68,125	81,359
	138,425	**150,744**	**138,425**	**150,744**

Notes to the financial statements

14. Trade and other payables

	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Other payable - APDC Limited	-	-	-	130
Other payable - APDC Group	-	-	124	-
Accrued interest - Bankwest	298	261	298	261
GST payable	271	329	321	333
Rent in advance	1,172	1,123	1,172	1,123
Other payables	868	279	809	195
Total trade and other payables	**2,609**	**1,992**	**2,724**	**2,042**

15. Interest bearing liabilities

	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Commercial loan - Bankwest	29,000	25,000	29,000	25,000
Unamortised finance costs	(28)	(95)	(28)	(95)
Total interest bearing loans	**28,972**	**24,905**	**28,972**	**24,905**

APDC Trust has a five-year debt facility with Bankwest (a division of Commonwealth Bank of Australia) (Bankwest) to provide the Group with up to $29 million of asset-secured debt funding (Debt Facility). The Debt Facility matures on 29 November 2018 and is secured by a mortgage over the S1 Sydney data centre asset and a general security interest. 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 2018, the facility was fully drawn.

The Debt Facility is a variable rate loan with interest charged at 1.50% above the Bank Bill Swap Rate (as at 30 June 2018).

Bankwest has agreed to extend the facility to further 12 months. The variation deed for the extension to 29 November 2019 has been executed by Bankwest on 17 August 2018 and confirmation received on 20 August 2018.

16. Financial instruments

(a) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focusses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. In this note, references to the Group include APDC Trust.

Risk management framework

The Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit and Risk Committee (the Committee), which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board on its activities.

Notes to the financial statements

The Group's risk management framework is designed to ensure that it has explicitly identified the risks it faces and has measures in place to keep those risks to an acceptable minimum.

16. Financial instruments (cont.)

Risks are managed through the effective implementation of various measures and controls which include:

- Board approved risk management framework;
- documented policies, procedures, registers and checklists;
- ongoing monitoring of regulatory obligations;
- ongoing supervision of management personnel and service providers; and
- internal and external reporting.

As at 30 June 2018, the following financial instruments are held:

	Valuation Basis	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Financial assets					
Cash and cash equivalents	Amortised cost	4,832	7,098	4,592	5,533
Trade and other receivables	Amortised cost	1,150	1	500	500
Security deposit held	Amortised cost	4	8	-	-
Total financial assets		**5,986**	**7,107**	**5,092**	**6,033**
Financial liabilities					
Trade and other payables	Amortised cost	2,609	1,992	2,724	2,042
Interest bearing loans	Amortised cost	28,972	24,905	28,972	24,905
Derivatives	Fair value	90	363	90	363
Total financial liabilities		**31,671**	**27,260**	**31,786**	**27,310**

Market risk

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

Foreign exchange risk

The Group currently only operates in Australia and its transactions are in Australian dollars. Consequently, the Group has no exposure to foreign exchange risk.

Price risk

The Group is not exposed to equity securities price risk.

Interest rate risk

The Group is exposed to interest rate risk predominantly through its Debt Facility. Loans issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

As detailed in Note 15, the Bankwest Debt Facility is a variable rate loan, with interest charged at 1.50% above the Bank Bill Swap Rate. Therefore, the Group is mainly exposed to cash flow interest rate risk.

Notes to the financial statements

The Group uses derivative financial instruments such as interest rate swaps to manage its interest rate risk. Refer to Note 16(d).

The weighted average interest rate on all cash assets at 30 June 2018 was 0.98% per annum (2017: 1.2% per annum).

16. Financial instruments (cont.)

The effective cost of Core Debt (loan interest, margin and swap interest) at 30 June 2018 is 4.34% per annum (2017: 4.41%).

At 30 June 2018, if interest rates increased by 100 or decreased by 100 basis points from the year end rates with all other variables held constant, profit for the year would have been $28,000 higher/$28,000 lower, mainly as a result of higher/lower interest income from deposits, interest expense on borrowings and interest swap arrangement.

Credit risk

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

Credit risk arises from cash and cash equivalents, outstanding receivables and committed transactions. The Group's exposure to credit risk is influenced mainly by the individual characteristics of its tenant. The Group has one tenant NEXTDC and therefore there is significant concentration of credit risk. The Group does not have the benefit of a bank guarantee from NEXTDC. Therefore, the credit worthiness of the tenant is monitored and assessed by the Board, taking into account its financial position and operating results.

During the year, all cash assets were placed with Commonwealth Bank of Australia and Bankwest in interest bearing bank accounts.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to maintain sufficient cash balances and adequate committed credit facilities.

The Group manages its liquidity risk by using detailed forward cash flow planning and by maintaining relationships with banks and investors in the capital markets. The following table provides the contractual maturity of the Group's financial liabilities.

		Contractual cash flows					
	Carrying amount $'000	**Less than 1 year $'000**	**1 to 2 years $'000**	**2 to 3 years $'000**	**3 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
APDC Groups:							
30 June 2018:							
Trade and other payables	**2,610**	(2,610)	-	-	-	-	(2,610)
Interest bearing loans and projected interest cost (1)	**28,972**	(29,408)	-	-	-	-	(29,408)
Derivatives and projected interest cost (1)	**90**	95	-	-	-	-	95
Total financial liabilities	**31,671**	**(31,923)**	**-**	**-**	**-**	**-**	**(31,923)**
30 June 2017:							
Trade and other payables	**1,992**	(1,992)	-	-	-	-	(1,992)
Interest bearing loans and projected interest cost (2)	**24,905**	(641)	(25,447)	-	-	-	(26,088)
Derivatives and projected interest cost (2)	**363**	(201)	(170)	-	-	-	(371)
Total financial liabilities	**27,260**	**(2,834)**	**(25,617)**	**-**	**-**	**-**	**(28,451)**

Notes to the financial statements

16. Financial instruments (cont.)

The following table provides the contractual maturity of APDC Trust's financial liabilities.

	Carrying amount $'000	Contractual cash flows: Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 5 years $'000	Over 5 years $'000	Total $'000
APDC Groups:							
30 June 2018:							
Trade and other payables	**2,610**	(2,610)	-	-	-	-	(2,610)
Interest bearing loans and projected interest cost [(1)]	**28,972**	(29,408)	-	-	-	-	(29,408)
Derivatives and projected interest cost [(1)]	**90**	95	-	-	-	-	95
Total financial liabilities	**31,671**	**(31,923)**	**-**	**-**	**-**	**-**	**(31,923)**
30 June 2017:							
Trade and other payables	**1,992**	(1,992)	-	-	-	-	(1,992)
Interest bearing loans and projected interest cost [(2)]	**24,905**	(641)	(25,447)	-	-	-	(26,088)
Derivatives and projected interest cost [(2)]	**363**	(201)	(170)	-	-	-	(371)
Total financial liabilities	**27,260**	**(2,834)**	**(25,617)**	**-**	**-**	**-**	**(28,451)**

(1) Projected interest is based on the likely outcome of the loan or derivative contract given the interest rates as at 30 June 2018.
(2) Projected interest is based on the likely outcome of the loan or derivative contract given the interest rates as at 30 June 2017.

Capital management

The Group's capital management policy seeks to maximise securityholder value through optimising the level and use of capital resources and the mix of debt and equity funding.

The Group's capital management objectives are to:

- ensure compliance with capital and distribution requirements of the Constitutions and/or trust deeds;
- ensure sufficient capital resources to support the Group's operational requirements;
- continue to support the Group's creditworthiness;
- comply with capital requirements of relevant regulatory authorities; and
- safeguard the Group's ability to continue as a going concern.

The Group monitors the adequacy of its capital requirements, cost of capital and gearing as part of its overall strategic plan.

The Debt Facility requires that APDC Trust must comply with the following financial covenants:

- Loan to valuation ratio (LVR) - maintain an LVR not exceeding 50% at all time. LVR is calculated as the Debt Facility outstanding amount divided by the value of the security property (being the S1 data centre). The LVR at 30 June 2018 is 25%.
- Interest coverage ratio (ICR) – maintain an ICR of 2.0 times in respect of each period (financial year) at the end of which ICR is measured. ICR is calculated as S1 net rental income divided by interest expense. The ICR at 30 June 2018 is 5 times.

Notes to the financial statements

16. Financial instruments (cont.)

The Group's capital structure is continuously reviewed to ensure:

- sufficient funds and financing facilities are available, on a cost-effective basis, to implement the Group's strategies; and
- distributions to securityholders are made within the stated policy.

The Group is able to alter its capital mix by:

- issuing new stapled securities;
- activating the distribution reinvestment plan;
- adjusting the amount of distributions paid to securityholders;
- selling assets to reduce borrowings; or
- increasing debt facilities.

Investment properties are insured by the tenant (NEXTDC) with APDC Trust noted as beneficiary.

There are specific capital requirements for APDC Limited as the responsible entity for APDC Trust and the holder of an Australian Financial Services Licence (AFSL). APDC Limited is responsible to monitor APDC Limited's net tangible assets on an ongoing basis to ensure it continues to meet its licence requirements.

(b) Changes in liabilities arising from financing activities

	1 July 2017	Cash flows	Non-cash changes			30 June 2018
			Reclassification	Borrowings cost amortisation	FVOCI	
Long-term borrowings	24,905	-	(24,905)	-	-	-
Short-term borrowings	-	4,000	24,905	67	-	28,972
Derivatives	363	-	-	-	(273)	90
Total liabilities from financing activities	25,268	4,000	-	67	(273)	29,062

	1 July 2016	Cash flows	Non-cash changes			30 June 2017
			Reclassification	Borrowings cost amortisation	FVOCI	
Long-term borrowings	24,838	-	-	67		24,905
Short-term borrowings	-	-	-	-	-	-
Derivatives	637	-	-	-	(274)	363
Total liabilities from financing activities	25,475	-	-	67	(274)	25,268

(c) Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps to manage its financial risk as permitted under the Group's risk management policy. Such instruments are used exclusively for hedging purposes and not for trading or speculative purposes.

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 interest rate swap agreement entitles APDC Trust to receive interest at quarterly intervals at a floating rate on a notional principal amount and obliges it to pay interest at a fixed rate. The interest rate swap agreement allows APDC Trust to raise long term borrowings at a floating rate and effectively swap them into a fixed rate.

The interest rate swap is designated as a cash flow hedging instrument. Accordingly, the effective portion of changes in the fair value of the interest rate swap is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. Refer to Note 3(m).

The fair value of the interest rate swap liability at 30 June 2018 was $90,000 (30 June 2017: $363,000).

(d) Carrying amounts versus fair values

At 30 June 2018, the carrying amounts of the Group's financial assets and liabilities approximate their fair values.

Notes to the financial statements

16. Financial instruments (cont.)

(e) Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined in Note 13(a).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative liabilities				
30 June 2018:				
Interest rate swap used for hedging	-	90	-	90
Total financial liabilities carried at fair value	**-**	**90**	**-**	**90**
30 June 2017:				
Interest rate swap used for hedging	-	363	-	363
Total financial liabilities carried at fair value	**-**	**363**	**-**	**363**

The interest rate swap is measured at fair value based on the mark to market value quoted for forward interest rate swaps. These quotes are tested for reasonableness by discounting expected future cash flows using market interest rates for a similar instrument at the measurement date.

The fixed rate on the interest rate swap is 3.94% per annum.

17. Contributed equity

Details	No. securities[(1)]	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000
Equity			
Ordinary securities - fully paid	115,000,100	116,260	116,260
Movements in equity			
Opening balance	115,000,100	116,260	116,260
Return of capital	-	(5,960)	-
Closing balance	**115,000,100**	**110,300**	**116,260**
Represented by:			
APDC Holdings		1,150	1,150
APDC Trust		109,150	115,110
		110,300	**116,260**

(1) Includes shares of APDC Holdings and units in APDC Trust, which are stapled. Refer to Note 3(b) for details of the accounting for this stapling arrangement.

Stapled securities

Each stapled security comprises one share in APDC Holdings and one unit in APDC Trust. They cannot be traded or dealt with separately. Stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Group entities in proportion to the number of securities held. On a show of hands every holder of stapled securities present at a meeting in person or by proxy, is entitled to one vote. On a poll, each ordinary shareholder is entitled to one vote for each fully paid share and each unit holder is entitled to one vote for each fully paid unit.

Notes to the financial statements

18. Reserves

(a) Movement in reserves

	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Asset Revaluation Reserve				
Opening balance	-	-	73,902	48,102
Transfer from undistributed income	-	-	48,200	25,800
Closing balance			122,102	73,902
Cashflow hedge reserve				
Opening balance	-	-	(363)	(637)
Movement in effective cashflow hedges	-	-	273	274
Closing balance	-	-	(90)	(363)
Total reserves	-	-	**122,012**	**73,539**

(b) Nature and purposes of reserves

Asset revaluation reserve

Investment properties are carried at fair value at each reporting date with any gain or loss arising from a change in fair value recognised in profit or loss in the year. At the end of each reporting period, any unrealised gain or loss arising from a change in the fair value of investment properties is transferred from undistributed income to the asset revaluation reserve. The asset revaluation reserve comprises the unrealised gains or losses arising from changes in the fair value of investment properties (excluding rent on unimproved land for properties under construction).

Cash flow hedge reserve

The cash flow hedge reserve is used to record the effective portion of changes in the fair value derivatives that are designated as cash flow hedges. Refer to Note 3(m).

19. Net tangible assets

	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Total assets	267,136	219,947	266,092	218,833
Total liabilities	(34,555)	(30,068)	(34,661)	(30,104)
Net tangible assets	232,581	189,879	231,431	188,729
Total number of securities on issue	115,000,100	115,000,100	115,000,100	115,000,100
Net tangible asset backing per security	**$2.02**	**$1.65**	**$2.01**	**$1.64**

Notes to the financial statements

20. Cash flows from operating activities

Reconciliation of profit for the year to net cash flows from operating activities

	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Profit for the year	53,354	36,902	53,354	36,902
Non-cash items:				
Net gain from fair value adjustment on investment properties	(48,200)	(25,800)	(48,200)	(25,800)
Classified as financing activities:				
Interest expense and finance costs	1,247	1,178	1,247	1,178
Changes in assets and liabilities:				
(Increase)/decrease in assets	(106)	-		-
Increase/(decrease in liabilities	577	1,308	646	1,327
Net cash flows from operating activities	**6,871**	**13,588**	**7,047**	**13,607**

21. Related party disclosures

(a) Parent entity

The immediate and ultimate parent entity of the Group is APDC Holdings Limited. Refer to Note 23.

(b) Controlled entities

These financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy disclosures as described in Note 3:

	Ownership interest
APDC SPV	100%
APDC Limited	0% (100% until 16 January 2018)
APDC Trust	-

APDC Limited was sold to One Investment Group Pty Limited and associate on 16 January 2018. The consideration for the acquisition was an amount equal to the net assets of APDC Limited of $1.15 million. The payable amount is due on the first anniversary of the effective date of sale (16 January 2019).

Notes to the financial statements

21. Related party disclosures (cont.)

(c) Key management personnel compensation

The key management personnel compensation for the year comprises:

	Consolidated APDC Group 2018 $	Consolidated APDC Group 2017 $	APDC Trust 2018 $	APDC Trust 2017 $
Short-term employee benefits	462,372	470,320	-	-
Post-employment benefits	43,538	44,680	-	-
Termination benefits	121,250	-	-	-
Other long term benefits	20,351	-	-	-
Equity-based payments	-	-	-	-
	647,511	515,000	-	-

(d) Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group or APDC Trust during the year ended 30 June 2018 and there were no material contracts involving directors' interests at 30 June 2018.

22. Significant party disclosures

(a) Lease agreements

APDC Trust has three data centre investment properties M1, S1 and P1. All of the data centres are leased to NXT for initial terms of 15 years expiring in 2027 (M1) and 2028 (S1 and P1) with options for up to another 25 years. The leases provide for upwards only annual CPI rental increases and market reviews in every fifth year, not exceeding 110% of the preceding year's rent. The annual rent review date is 21 December. The rental income for M1, S1 and P1 totalled $13,785,000 for the year (2017: $13,393,000).

The terms of the lease for P1 provided for a market rent review effective on 21 December 2017. The independent valuation report for P1 as at 30 June 2017 contained a rental assessment which concluded that the rent was at market. A CPI review was applied to the rental income of P1 on 21 December 2017.

The terms of the lease for S1 provide for a market rent review effective on 21 December 2017. The determining valuer assessed the market rent for S1 at $6,095,000 per annum, representing an increase of $445,000 (7.87%) from the previous annual rental.

According to signed lease agreements, the Tenant (NEXTDC) has the first right to acquire M1, S1 and P1 properties in the event of sale.

Notes to the financial statements

22. Significant party disclosures (cont.)

(b) NEXTDC transactions and balances recognised in the consolidated financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Rental income	13,785	13,393	13,785	13,393

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Consolidated APDC Group 2018 $'000	Consolidated APDC Group 2017 $'000	APDC Trust 2018 $'000	APDC Trust 2017 $'000
Trade and other payables				
Rent in advance - NEXTDC	1,172	1,123	1,172	1,123

(c) 360 Capital Group

On 2 May 2017, 360 Capital Group (360 Capital) (ASX code: TGP) announced it had acquired a 19.8% interest in the stapled securities of the Group for approximately $35.8 million.

On 13 September 2017, 360 Capital announced an unconditional, all-cash, off-market takeover offer to acquire all the securities of APDC for consideration of $1.95 cash per APDC Security. The offer lapsed on 20 November 2017. By 21 November 2017, 360 Capital had acquired a 67.3% interest in the Group.

On 30 June 2018, 360 Capital held 67.3% interest in the Group.

(d) NEXTDC Limited

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

On 31 July 2017, NEXTDC Limited announced an unconditional, all-cash, off-market takeover offer to acquire all of the securities of the Group for a consideration of $1.87 cash per security. This takeover offer lapsed on 15 September 2017. By 13 September 2017, NEXTDC had acquired a further 9.11% interest in the Group.

On 30 June 2018, NEXTDC held 29.2% of the securities in the Group.

Notes to the financial statements

23. Parent entity financial information

As at, and throughout the financial year ended 30 June 2018, the parent entity of the Group was APDC Holdings.

(a) Summary financial information

	APDC Holdings 2018 $'000	APDC Holdings 2017 $'000
Results of parent entity		
Profit for the year	-	-
Other comprehensive income	-	-
Total comprehensive income for the year	**-**	**-**

	2018 $'000	2017 $'000
Financial position of the parent entity at year end		
Current assets	1,655	182
Total assets	1,667	1,345
Current liabilities	517	195
Total liabilities	517	195
Contributed equity	1,150	1,150
Reserves	-	-
Retained earnings	-	-

(b) Guarantees

No guarantees have been entered into by the parent entity.

(c) Contingencies

The parent entity did not have any contingent liabilities at 30 June 2018 (30 June 2017: $nil).

(d) Capital commitments

The parent entity did not have any capital commitments at 30 June 2018 (30 June 2017: $nil).

24. Capital expenditure commitments

Capital expenditure contracted for at 30 June 2018 but not recognised as liabilities was $nil (30 June 2017: $nil).

25. Contingent liabilities

There are no contingent liabilities for Group or APDC Trust at 30 June 2018.

Notes to the financial statements

26. Subsequent events

Extension of the Bankwest facility

Bankwest has agreed to extend the facility to further 12 months. The variation deed for the extension to 29 November 2019 has been executed by Bankwest on 17 August 2018 and confirmation received on 20 August 2018.

Other than the above, the Directors of APDC Holdings and APDC Limited are not aware of any other matter or circumstance not otherwise dealt with in the financial reports or the Directors' Report that has significantly affected or may significantly affect the operations of the Group or APDC Trust, the results of those operations or the state of affairs of the Group or APDC Trust in financial years subsequent to the year ended 30 June 2018.

Directors' Declaration

The directors of Asia Pacific Data Centre Holdings Limited and Asia Pacific Data Centre Limited as responsible entity for Asia Pacific Data Centre Trust (collectively, 'the Directors') declare that:

(a) the Financial Statements and notes as set out on pages 18 to 50 and the Remuneration Report in the Directors' Report as set out on pages 12 to 14 for Asia Pacific Data Centre Holdings Limited and its controlled entities (Group) and Asia Pacific Data Centre Trust (APDC Trust), are in accordance with the Corporations Act 2001, including:

  i. giving a true and fair view of the Group's and APDC Trust's financial positions at 30 June 2018 and of their performance for the year ended on that date; and

  ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the Group and APDC Trust will be able to pay their debts as and when they become due and payable; and

(c) note 2(a) confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declaration by the Chief Executive Officer required by section 295A of the Corporations Act 2001 for the year ended 30 June 2018.

This declaration is made in accordance with resolutions of the Directors of Asia Pacific Data Centre Holdings Limited and Asia Pacific Data Centre Limited as responsible entity for Asia Pacific Data Centre Trust.

David van Aanholt
Chairman
Asia Pacific Data Centre Holdings Limited

Frank Tearle
Director
Asia Pacific Data Centre Limited

Sydney, 21 August 2018

Building a better
working world

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Independent auditor's Report to the stapled security holders of Asia Pacific Data Centre Group and the unitholders of Asia Pacific Data Centre Trust

Asia Pacific Data Centre Group comprises of Asia Pacific Data Centre Holdings Limited and the entities it controlled at year's end or from time to time during the financial year and Asia Pacific Data Centre Trust ("Trust") (together "Asia Pacific Data Centre Group "or" the Group").

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Asia Pacific Data Centre Group, which comprises:

- the Group and Trust statements of financial position as at 30 June 2018;
- the Group and Trust statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended;
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group and Trust's financial position as at 30 June 2018 and of their financial performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group and the Trust in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Valuation of investment properties

Why significant	How our audit addressed the key audit matter

The investment property assets of the Group consist of 3 data centre properties and represents 98% of the Group's total assets as at 30 June 2018.
 	
These assets are carried at fair value. As disclosed in Note 13 to the financial report, fair value is determined by the directors with reference to external independent property valuations. Independent valuations are conducted on a rotational basis across the portfolio over a three year period or when the directors consider there to be a reason to believe that the fair value of a property has materially changed from its carrying value.
 	
We consider this a key audit matter due to the number of judgments required in determining fair value. As disclosed in Note 13 to the financial report, these judgments include assessing the capitalisation rate, and estimating future maintainable operating earnings based on historical and forecast financial information. Minor changes in certain assumptions can lead to significant changes in the valuation
	Our audit procedures included the following:
	► We evaluated the external independent valuations for the three properties, including
	  ► Assessing the competence, capability and the objectivity of the independent valuers;
	  ► Assessing the appropriateness of the valuation methodology;
	  ► Agreeing net passing income to source data used in the valuations by agreeing details to supporting tenancy schedules;
	  ► Evaluating the capitalisation rates adopted, and movement in the year, based on our knowledge of the property portfolio, published industry reports and comparable property valuations.
	
	► For each of the 3 properties we involved our real estate specialists to assist with the assessment of the valuations.
	► We assessed the adequacy of the disclosures relating to the sensitivity of the key assumptions as detailed in Note 13 to the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors of Asia Pacific Data Centre Holdings Limited and the directors of APDC Limited, the Responsible Entity of Asia Pacific Data Centre Trust, (collectively referred to as "the directors") are responsible for the other information. The other information comprises the Directors' Report of the Group and the Trust for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and Trust to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group and Trust audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 14 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Asia Pacific Data Centre Group for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Asia Pacific Data Centre Holdings Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
21 August 2018