

Asia Pacific Data Centre Group

Interim Financial Reports of

Asia Pacific Data Centre Holdings Limited (ACN 159 621 735) and its controlled entities:
Asia Pacific Data Centre Limited (ACN 159 624 585)
Asia Pacific Data Centre Trust (ARSN 161 049 556)

and

Asia Pacific Data Centre Trust (ARSN 161 049 556)

for the half year ended 31 December 2014

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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 interim financial report of APDC Holdings and its controlled entities (Group, APDC Group) and the interim financial report of APDC Trust for the half year ended 31 December 2014.

APDC Holdings and APDC Limited are both companies limited by shares, incorporated and domiciled in Australia. The registered office for both companies is Level 16, 55 Hunter Street, Sydney NSW 2000 and principal place of business for both companies is Level 13, 135 King Street, Sydney NSW 2000.

The shares of APDC Holdings and units of APDC Trust are stapled and 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 (AASB).

1. Directors

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

Ian Fraser	Chairman, Non-Executive Director
Greg Baynton	Non-Executive Director
Chris Breach	Non-Executive Director
Francina Turner	CEO, Executive Director
John Wright	Non-Executive Director

Mr Baynton resigned from the Board on 4 February 2015.

2. Principal activities

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

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 half year.

3. Operating and financial review

3.1 Results of operations

The Group earned a statutory profit and distributable earnings for the half year of \$5,175,000, representing earnings per stapled security of 4.5 cents.

APDC Group reports statutory profit for the half year in accordance with Australian Accounting Standards. Distributable earnings is the primary basis upon which distributions are determined by the Directors. Distributable earnings are a non-AASB measure that represents the Directors' view of the amount available for distribution to securityholders from ongoing activities for the half year, as presented in the reconciliation between statutory profit for the half year and distributable earnings below:

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	APDC Group 1 July 2014 to 31 Dec 2014 \$'000	APDC Group 1 July 2013 to 31 Dec 2013 \$'000	APDC Trust 1 July 2014 to 31 Dec 2014 \$'000	APDC Trust 1 July 2013 to 31 Dec 2013 \$'000
Statutory profit for the half year	5,175	5,870	5,175	5,870
Net gain from fair value adjustment on investment properties ⁽¹⁾	-	(1,293)	-	(1,293)
Rent on unimproved land for properties under construction	-	186	-	186
Distributable earnings	5,175	4,763	5,175	4,763
Add: Return of capital - expenses funded from pre-IPO capital	-	412	-	412
Total distribution for the half year	5,175	5,175	5,175	5,175
Basic earnings per security (cents)	-	-	4.50	5.10
Distributable earnings per security (cents)	-	-	4.50	4.14
Distributions paid and payable	-	-	5,175	5,175
Distributions per security (cents)	-	-	4.50	4.50

⁽¹⁾ Unrealised fair value gains and losses on revaluation of investment properties. Refer to Note 8.

Statutory profit has been calculated in accordance with Australian Accounting Standards.

The total distribution for the half year is 4.50 cents per stapled security. An interim distribution of 2.25 cents per stapled security was paid on 30 October 2014. A final distribution for the half year of 2.25 cents per stapled security will be paid on 27 February 2015.

Distributions paid and payable represent an annualised 7.1% yield on the stapled security price of \$1.26 at market close on 23 February 2015.

The Group's direct trust expenses and responsible entity operating expenses for the half year were \$565,000.

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

3.2 Direct property investments

	APDC Group 31 Dec 2014 \$'000	APDC Group 30 June 2014 \$'000	APDC Trust 31 Dec 2014 \$'000	APDC Trust 30 June 2014 \$'000
M1, Melbourne	56,200	56,200	56,200	56,200
S1, Sydney ⁽¹⁾	64,500	64,500	64,500	64,500
P1, Perth	30,000	30,000	30,000	30,000
Total investment properties at fair value	150,700	150,700	150,700	150,700
Net assets	127,416	127,669	126,266	126,519
Net tangible asset backing per security (\$)	1.11	1.11	1.10	1.10

The fair value of the assets is derived using the basis set out in Note 8(a) to the financial statements.

⁽¹⁾The Bankwest Debt Facility is secured by a mortgage over S1 Sydney data centre asset. Refer Note 8.

All of the Group's data centres are wholly-owned by APDC Trust. The data centres are leased to NEXTDC on a triple net basis for an initial term of 15 years with options for up to another 25 years.

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	Rental income 1 July 2014 to 31 Dec 2014 \$'000	Annualised rental income from 21 Dec 2014 \$'000
M1, Melbourne	2,398	4,899
S1, Sydney	2,689	5,495
P1, Perth	1,327	2,711
	6,414	13,105

Pursuant to the leases, a CPI increase of 2.3% was applied to the M1, S1 and P1 rentals effective 21 December 2014.

The fair value of the investment properties is determined by the Directors by reference to the most recent independent valuation for that property updated to take into account any changes in valuation factors. There were no changes to the carrying values of the investment properties during the half year.

3.3 Bankwest Debt Facility

APDC Trust has a five year 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 is provided at market interest rates for a five year term, and is secured by a mortgage over the S1 Sydney data centre asset.

At 31 December 2014, \$25 million of the facility was drawn (Core Debt).

APDC Trust has a swap agreement to fix the floating interest rate component over \$12.5 million of the drawn amount for five years. The effective cost of the Core Debt (loan interest, margin and swap interest) is 5.49% per annum as at 31 December 2014.

3.4 Real estate funds management

APDC Limited, a wholly owned subsidiary of APDC Holdings, provides responsible entity services to APDC Trust. During the half year, APDC Limited charged APDC Trust a management fee equal to the cost to APDC Limited to provide these services. Refer to Note 9 to the financial statements.

4. Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

5. Rounding of amounts to the nearest thousand dollars

The Group and APDC Trust are of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and interim financial report. Amounts in the Directors' Report and interim financial reports 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.



Ian Fraser
Chairman

Brisbane
24 February 2015



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Asia Pacific Data Centre Holdings Limited and the directors of Asia Pacific Data Centre Limited the responsible entity of Asia Pacific Data Centre Trust

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Jillian Richards
Partner

Brisbane
24 February 2015

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Consolidated Statements of Profit or Loss and Other Comprehensive Income

	APDC Group 1 July 2014 to 31 Dec 2014 Note \$'000	APDC Group 1 July 2013 to 31 Dec 2013 \$'000	APDC Trust 1 July 2014 to 31 Dec 2014 \$'000	APDC Trust 1 July 2013 to 31 Dec 2013 \$'000
Revenue				
Rental income	6,414	5,202	6,414	5,202
Interest income	55	57	45	49
Net gain from fair value adjustment on investment properties	-	1,293	-	1,293
Total revenue	6,469	6,552	6,459	6,544
Expenses				
Operating expenses	565	557	555	524
Interest expense and finance costs	729	125	729	150
Total expenses	1,294	682	1,284	674
Profit before income tax expense	5,175	5,870	5,175	5,870
Income tax expense	-	-	-	-
Profit for the half year	5,175	5,870	5,175	5,870
Profit for the half year attributable to:				
Owners of APDC Holdings	-	-	-	-
Owners of APDC Trust	-	-	5,175	5,870
Non-controlling interest - members of APDC Trust	5,175	5,870	-	-
Total profit for the half year	5,175	5,870	5,175	5,870
Other comprehensive income				
Items that may be reclassified to profit or loss:				
Effective portion of changes in fair value of cash flow hedge	(253)	(125)	(253)	(125)
Other comprehensive income, net of tax	(253)	(125)	(253)	(125)
Total comprehensive income for the half year	4,922	5,745	4,922	5,745
Total comprehensive income for the half year attributable to:				
Owners of APDC Holdings	-	-	-	-
Owners of APDC Trust	-	-	4,922	5,745
Non-controlling interest - members of APDC Trust	4,922	5,745	-	-
Total comprehensive income for the half year	4,922	5,745	4,922	5,745
Basic and diluted earnings per security (cents)	6	-	4.50	5.10

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

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Consolidated Statements of Financial Position as at 31 December 2014

		APDC Group 31 Dec 2014 \$'000	APDC Group 30 June 2014 \$'000	APDC Trust 31 Dec 2014 \$'000	APDC Trust 30 June 2014 \$'000
	Note				
Current assets					
Cash and cash equivalents		5,296	5,308	3,751	3,677
Trade and other receivables		16	56	516	556
Security deposit held		9	8	-	-
Prepayments		90	27	22	-
Total current assets		5,411	5,399	4,289	4,233
Non-current assets					
Investment properties	8	150,700	150,700	150,700	150,700
Property, plant and equipment		1	2	-	-
Deferred tax asset		15	15	-	-
Total non-current assets		150,716	150,717	150,700	150,700
Total assets		156,127	156,116	154,989	154,933
Current liabilities					
Trade and other payables		708	726	751	728
Distribution payable		2,588	2,588	2,588	2,588
Tax payable		15	15	-	-
Provision for employee benefits		16	20	16	20
Total current liabilities		3,327	3,349	3,355	3,336
Non-current liabilities					
Interest bearing liabilities	10(a)	24,738	24,705	24,738	24,705
Derivatives	10(b)	646	393	646	393
Total non-current liabilities		25,384	25,098	25,384	25,098
Total liabilities		28,711	28,447	28,739	28,434
Net assets		127,416	127,669	126,250	126,499
Equity					
Contributed equity		1,150	1,150	115,110	115,110
Asset revaluation reserve		-	-	11,802	11,802
Cashflow hedge reserve		-	-	(646)	(393)
Total equity attributable to owners of APDC Holdings/APDC Trust		1,150	1,150	126,266	126,519
Non-controlling interest attributable to APDC Trust		126,266	126,519	-	-
Total equity		127,416	127,669	126,266	126,519

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

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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 2013	1,150	1,150	115,507	116,657
Total comprehensive income for the half year				
Profit for the half year	-	-	5,870	5,870
Other comprehensive income for the half year	-	-	(125)	(125)
Total comprehensive income for the half year	-	-	5,745	5,745
Contributions by and distributions to owners of the Group				
Distributions paid or provided for	-	-	(5,175)	(5,175)
Total contribution by and distributions to owners of the Group	-	-	(5,175)	(5,175)
Total equity at 31 December 2013	1,150	1,150	116,077	117,227
Total equity at 1 July 2014	1,150	1,150	126,519	127,669
Total comprehensive income for the half year				
Profit for the half year	-	-	5,175	5,175
Other comprehensive income for the half year	-	-	(253)	(253)
Total comprehensive income for the half year	-	-	4,922	4,922
Contributions by and distributions to owners of the Group				
Distributions paid or provided for	-	-	(5,175)	(5,175)
Total contribution by and distributions to owners of the Group	-	-	(5,175)	(5,175)
Total equity at 31 December 2014	1,150	1,150	126,266	127,416

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

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Statement of Changes in Equity – APDC Trust

	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation reserve \$'000	Cashflow hedge reserve \$'000	Total equity \$'000
Total equity at 1 July 2013	115,507	-	-	-	115,507
Total comprehensive income for the half year					
Profit for the half year	-	5,870	-	-	5,870
Other comprehensive income for the half year	-	-	-	(125)	(125)
Total comprehensive income for the half year	-	5,870	-	(125)	5,745
Contributions by and distributions to owners of the Trust					
Transfer to asset revaluation reserve	-	(1,107)	1,107	-	-
Distributions paid or provided for	(412)	(4,763)	-	-	(5,175)
Total contribution by and distributions to owners of the Trust	(412)	(5,870)	1,107	-	(5,175)
Total equity at 31 December 2013	115,095	-	1,107	(125)	116,077
Total equity at 1 July 2014	115,110	-	11,802	(393)	126,519
Total comprehensive income for the half year					
Profit for the half year	-	5,175	-	-	5,175
Other comprehensive income for the half year	-	-	-	(253)	(253)
Total comprehensive income for the half year	-	5,175	-	(253)	4,922
Contributions by and distributions to owners of the Trust					
Transfer to asset revaluation reserve	-	-	-	-	-
Distributions paid or provided for	-	(5,175)	-	-	(5,175)
Total contribution by and distributions to owners of the Trust	-	(5,175)	-	-	(5,175)
Total equity at 31 December 2014	115,110	-	11,802	(646)	126,266

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

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Consolidated Statements of Cash Flows

	APDC Group 1 July 2014 to 31 Dec 2014 \$'000	APDC Group 1 July 2013 to 31 Dec 2013 \$'000	APDC Trust 1 July 2014 to 31 Dec 2014 \$'000	APDC Trust 1 July 2013 to 31 Dec 2013 \$'000
Cashflows from operating activities				
Receipts from lessee	7,120	6,916	7,120	6,916
Payments to suppliers and employees	(647)	(763)	(551)	(964)
Net GST payment to ATO	(659)	(585)	(659)	(508)
Interest received	55	57	45	46
Net cash inflows from operating activities	5,869	5,625	5,955	5,490
Cashflows from investing activities				
Payments for investment properties	-	(25,767)	-	(25,767)
Rent on unimproved land	-	186	-	186
Net cash outflows from investing activities	-	(25,581)	-	(25,581)
Cashflows from financing activities				
Payment of interest and finance costs	(706)	(421)	(706)	(384)
Proceeds from loans and borrowings	-	26,500	-	26,500
Payment of loan to APDC Holdings	-	-	-	(750)
Repayment of loans and borrowings	-	(750)	-	-
Payment of distributions	(5,175)	(4,668)	(5,175)	(4,668)
Net cash inflows/(outflows) from financing activities	(5,881)	20,661	(5,881)	20,698
Net increase/(decrease) in cash and cash equivalents	(12)	705	74	607
Cash and cash equivalents at the beginning of the half year	5,308	5,196	3,677	4,280
Cash and cash equivalents at the end of the half year	5,296	5,901	3,751	4,887

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

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Notes to the consolidated financial statements

1. Reporting entities

Asia Pacific Data Centre Group (APDC Group) comprises Asia Pacific Data Centre Holdings Limited (APDC Holdings) and its wholly owned subsidiary Asia Pacific Data Centre Limited (APDC Limited), and Asia Pacific Data Centre Trust (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 Limited registered as a company on 25 July 2012, and APDC Trust was established on 1 November 2012. All of the 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.

The reporting entities are APDC Holdings and its controlled entities (APDC Limited and APDC Trust) and APDC Trust (collectively 'Group entities').

The consolidated interim financial statements of APDC Holdings incorporate the assets and liabilities of APDC Holdings and its controlled entities including APDC Limited and APDC Trust (Group, APDC Group).

As permitted by Class Order CO 05/642, 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. This presentation is consistent with the annual financial report for the year ended 30 June 2014.

2. Basis of preparation

(a) Statement of compliance

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and APDC Trust since the last annual consolidated financial statements of the Group and the financial statements of APDC Trust as at and for the year ended 30 June 2014.

These interim financial statements do not include all the notes of the type normally included in the annual financial report. Accordingly, these financial statements are to be read in conjunction with the consolidated financial statements of the Group and APDC Trust for the year ended 30 June 2014 and any public announcements made by the Group and APDC Trust during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The interim 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 interim financial statements.

The Group and APDC Trust are of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and interim financial report. Amounts in the Directors' Report and interim financial reports have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise stated.

(b) Significant judgements and estimates

The preparation of these interim financial statements in conformity 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.

Notes to the consolidated financial statements

2. Basis of preparation (cont.)

(b) Significant judgements and estimates (cont.)

In applying accounting policies, management continually evaluates judgements, estimates and assumptions 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 interim financial statements were consistent with those used in the annual financial report for the year ended 30 June 2014.

(c) Comparative information

In the financial statements for the year ended 30 June 2014, APDC Trust transferred the net gain from fair value adjustment on investment properties from retained earnings to the asset revaluation reserve. Accordingly, comparative amounts in the Statement of Changes in Equity for the half year ended 31 December 2014 were reclassified for consistency.

3. Summary of significant accounting policies

The accounting policies applied in these interim financial statements for the half year are the same as those applied in the Group's consolidated financial statements and APDC Trust's financial statements as at and for the year ended 30 June 2014.

4. Segment information

The Group entities present operating segments based on the internal information that is available to the Chief Executive Officer (CEO), who is the Group's chief operating decision maker.

The Group entities operate wholly within Australia and derive rental income from investments in commercial property and 100 per cent of this income is derived from one tenant and as such this is considered to be the only segment in which the Group and APDC Trust 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.

5. Income tax

APDC Group

There were no changes to the Group's taxation policy for the half year. The Group's consolidated effective tax rate for the half year was nil (half year to 31 December 2013: nil).

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 unit holders each year.

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

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

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6. Earnings per stapled security

	APDC Group 1 July 2014 to 31 Dec 2014	APDC Group 1 July 2013 to 31 Dec 2013	APDC Trust 1 July 2014 to 31 Dec 2014	APDC Trust 1 July 2013 to 31 Dec 2013
Earnings used in the calculation of earnings per security (\$'000)	-	-	5,175	5,870
Basic earnings per security (cents)	-	-	4.50	5.10
Diluted earnings per security (cents)	-	-	4.50	5.10
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⁾	-	-	5,175	4,763
Distributable earnings per security (cents)	-	-	4.50	4.14
Weighted average number of securities on issue used in the calculation of distributable earnings per security	-	-	115,000,100	115,000,100

(1) Refer to Note 7.

7. Distributions paid and payable

The following distributions were paid and payable by APDC Trust:

	Distribution cents per stapled security	Total amount \$'000
Distributions for the quarter ended:		
30 September 2014	2.25	2,587
31 December 2014 (payable 27 February 2015)	2.25	2,588
	4.50	5,175
Distributions for the quarter ended:		
30 September 2013	2.25	2,587
31 December 2013	2.25	2,588
	4.50	5,175

Distributable earnings for the half year was \$5,175,000 or 4.50 cents per stapled security.

The distribution paid and payable in the comparative half year included a return of capital of \$412,000 (funded from pre-IPO capital).

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7. Distributions paid and payable (cont.)

	APDC Group 1 July 2014 to 31 Dec 2014 \$'000	APDC Group 1 July 2013 to 31 Dec 2013 \$'000	APDC Trust 1 July 2014 to 31 Dec 2014 \$'000	APDC Trust 1 July 2013 to 31 Dec 2013 \$'000
Statutory profit for the half year	5,175	5,870	5,175	5,870
Net gain from fair value adjustment on investment properties ⁽¹⁾	-	(1,293)	-	(1,293)
Rent on unimproved land for properties under construction	-	186	-	186
Distributable earnings	5,175	4,763	5,175	4,763
Add: Return of capital - expenses funded from pre-IPO capital	-	412	-	412
Distribution paid and payable	5,175	5,175	5,175	5,175

⁽¹⁾ Unrealised fair value gains and losses on revaluation of investment properties. Refer to Note 8.

The distribution of \$2,588,000 for the quarter ended 30 June 2014 was paid on 29 August 2014.

8. Investment properties

APDC Trust has three investment properties, Melbourne (M1), Sydney (S1) and Perth (P1). The Trust has lease agreements over the properties with NEXTDC on a triple net basis and for a 15 year initial term with options for up to another 25 years. NEXTDC has made rental payments for M1, S1 and P1 in accordance with the lease agreements.

(a) Basis of valuation

The carrying amount of investment property is the fair value of the property as assessed by the Directors.

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 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, arms 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, 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.

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8. Investment properties (cont.)

(a) Basis of valuation (cont.)

Independent valuations for each investment property will take place at a minimum of once every three years or earlier should the Directors consider it appropriate.

In adopting the investment property valuations at reporting date, the Directors considered an independent valuation dated 30 June 2014 for M1, an independent valuation dated 30 June 2014 for S1 and an independent valuation dated 15 January 2014 for P1.

(b) Fair value of investment properties

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

	APDC Group Half year to 31 Dec 2014 \$'000	APDC Group Year to 30 June 2014 \$'000	APDC Trust Half year to 31 Dec 2014 \$'000	APDC Trust Year to 30 June 2014 \$'000
Carrying amount at the beginning of the period	150,700	123,330	150,700	123,330
Capital improvements	-	15,568	-	15,568
Rent on unimproved land for properties under construction	-	(186)	-	(186)
Fair value adjustments	-	11,988	-	11,988
Carrying amount at the end of the period	150,700	150,700	150,700	150,700

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8. Investment properties (cont.)

(c) Fair value of investment properties

Property	Acquisition date	Acquisition price \$'000	Capital improvements since acquisition \$'000	Rent on unimproved land for properties under construction \$'000	Fair value adjustments since acquisition \$'000	Fair value as at 31 Dec 2014 \$'000	Independent valuer	Date of last independent valuation	Independent valuation \$'000
M1, Melbourne	21/12/2012	52,000	5	-	4,195	56,200	1	30/06/2014	56,200
S1, Sydney ⁽¹⁾	21/12/2012	41,165	16,835	(452)	6,952	64,500	2	30/06/2014	64,500
P1, Perth	21/12/2012	5,000	23,893	(423)	1,530	30,000	3	15/01/2014	30,000
Total		98,165	40,733	(875)	12,677	150,700			

Independent valuers: 1. Andrew Lett, AAPI CBRE Valuations Pty Ltd
2. Kenny Duncanson, AAPI MRICS, CBRE Valuations Pty Ltd
3. Jason Fenner, AAPI, CBRE Valuations Pty Ltd

The investment properties are carried at fair value of the property as assessed by the Directors by reference to the most recent independent valuation for that property (as listed in the above table) updated to take into account any changes in valuation factors (refer Note 8(a) Basis of Valuation).

Significant inputs applied adopted in the independent valuations are provided below:

Property	Capitalisation method		Discounted cashflow method
	Adopted capitalisation rate	Adopted discount rate	Terminal yield
M1, Melbourne	8.50%	9.25%	10.50%
S1, Sydney	8.25%	9.50%	9.50%
P1, Perth	8.75%	9.50%	11.25%

⁽¹⁾ The Bankwest Debt Facility is secured by a mortgage over S1 Sydney data centre asset. Refer Note 10.

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8. Investment properties (cont.)

(d) Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income

Property	APDC Group	APDC Group	APDC Trust	APDC Trust
	1 July 2014 to 31 Dec 2014 \$'000	1 July 2013 to 31 Dec 2013 \$'000	1 July 2014 to 31 Dec 2014 \$'000	1 July 2013 to 31 Dec 2013 \$'000
Rental income	6,414	5,202	6,414	5,202
Net gain from fair value adjustment for investment properties	-	1,293	-	1,293
Direct operating expenses of properties that generated rental income	-	-	-	-

9. Responsible entity management fees

APDC Limited, the responsible entity of APDC Trust, is entitled to a management fee calculated as up to 2% per annum of the gross asset value of APDC Trust. It is payable from the income (or other assets) of APDC Trust, as and when incurred. While the Group has internal management, fees will only be charged on a cost recovery basis for direct trust expenses and responsible entity operating expenses up to 2% per annum of the gross asset value of APDC Trust.

For the half year, management fees of \$407,000 have been expensed (half year to 31 December 2013: \$343,000).

10. Financial arrangements

	APDC Group	APDC Group	APDC Trust	APDC Trust
	31 Dec 2014 \$'000	30 June 2014 \$'000	31 Dec 2014 \$'000	30 June 2014 \$'000

(a) Interest bearing liabilities

Commercial loan - Bankwest	25,000	25,000	25,000	25,000
Unamortised finance costs	(262)	(295)	(262)	(295)
Total interest bearing loans	24,738	24,705	24,738	24,705

APDC Trust has a five year 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 is provided at market interest rates for a five year term maturing 29 November 2018, and is secured by a mortgage over S1 Sydney data centre asset.

APDC Trust has an interest bearing loan of \$750,000 with APDC Holdings to provide APDC Holdings with working capital. The loan is unsecured, on commercial terms and interest is charged at 2.15% above Bank Bill Swap Bid Rate. The loan term is 3 years maturing 10 December 2016, with a 3 year extension available. The loan is classified as a non-current asset of APDC Trust.

	APDC Group	APDC Group	APDC Trust	APDC Trust
	31 Dec 2014 \$'000	30 June 2014 \$'000	31 Dec 2014 \$'000	30 June 2014 \$'000

(b) Derivatives

Interest rate swap	646	393	646	393
Total derivatives	646	393	646	393

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Notes to the consolidated financial statements

10. Financial arrangements (cont.)

(b) Derivatives (cont.)

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.

(c) Carrying amounts versus fair values

At 31 December 2014, the carrying amounts of the Group's financial assets and liabilities approximate their fair values.

(d) 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 as follows:

- 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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2014:				
Derivatives				
Interest rate swap used for hedging	-	646	-	646
Total financial liabilities carried at fair value	-	646	-	646
30 June 2014:				
Derivatives				
Interest rate swap used for hedging	-	393	-	393
Total financial liabilities carried at fair value	-	393	-	393

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.

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11. Related party disclosures

(a) Parent entity

The immediate and ultimate parent entity of the Group is APDC Holdings Limited.

(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 Limited	100%
APDC Trust	100%

There have been no changes in related party arrangements since 30 June 2014.

12. Significant party disclosures

Transactions with NEXTDC Limited

The following transactions occurred in the half year:

Lease agreements

APDC Trust has lease agreements with NEXTDC Limited (NEXTDC) for M1, S1 and P1. The leases are on a triple net basis and for a 15 year initial term with options for up to another 25 years. The leases provide for upwards only annual CPI rental increases and market reviews every 5 years, not exceeding 110% of the preceding year's rent. The rental income for M1, S1 and P1 totalled \$6,414,000 for the half year.

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

Alliance with NEXTDC

The Group has an alliance with NEXTDC which expires on 21 December 2015. During the alliance period, NEXTDC grants to the Group, for no consideration, the first right to develop or own a data centre on market terms if NEXTDC wishes to sell those rights. The Group grants to NEXTDC: first right of refusal to lease (lease rights) and/or, operate, develop, finance or manage (operation rights) on market terms any data centres that the Group acquires, develops or establishes; the right to consent to the acquisition by the Group of any data centre where the lease rights or operations rights cannot be offered to NEXTDC; the right to consent to the sale of assets to a NEXTDC competitor and the right to consent to the acquisition or development of any land or data centre. The rights under the alliance period apply to any data centre or land in Australia or Asia Pacific region.

The following transactions occurred in the comparative half year:

Development agreements

On 29 November 2013, APDC Trust paid \$22,969,000 of the \$23,800,000 development fee for P1 to NEXTDC, following practical completion of the base building. The remaining \$831,000 was paid to NEXTDC in February and March 2014.

On 23 August 2013, APDC Trust paid \$325,000 of the \$425,000 final payment to NEXTDC for S1. The remaining \$100,000 was paid to NEXTDC in February and March 2014.

Loan facility

On 3 December 2013, APDC Holdings repaid a loan facility of \$750,000 and on 20 December 2013 paid interest of \$37,000 to NEXTDC. This loan amount was used by the Group to satisfy the minimum capitalisation requirements of APDC Limited's Australian Financial Services Licence.

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Notes to the consolidated financial statements

12. Significant party disclosures (cont.)

NEXTDC transactions and balances recognised in the consolidated financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income	APDC	APDC	APDC	APDC
	Group	Group	Trust	Trust
	1 July 2014 to 31 Dec 2014 \$'000	1 July 2013 to 31 Dec 2013 \$'000	1 July 2014 to 31 Dec 2014 \$'000	1 July 2013 to 31 Dec 2013 \$'000
Rental income	6,414	5,202	6,414	5,202
Interest expense on unsecured loan from NEXTDC to APDC Holdings	-	17	-	-

Consolidated Statement of Financial Position	APDC	APDC	APDC	APDC
	Group	Group	Trust	Trust
	31 Dec 2014 \$'000	30 June 2014 \$'000	31 Dec 2014 \$'000	30 June 2014 \$'000

Investment property

Development fee paid - P1	-	23,800	-	23,800
Development fee paid - S1	-	425	-	425
Rent on unimproved land received for properties under construction	-	186	-	186

13. Subsequent events


Since the end of the half year, the Directors of APDC Holdings and APDC Limited are not aware of any 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 half year ended 31 December 2014.

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 6 to 20 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 31 December 2014 and of their performance for the half year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations.
- (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.
- (c) note 2 confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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.



Ian Fraser
Chairman

Brisbane
24 February 2015



Independent auditor's review report to the stapled security holders of Asia Pacific Data Centre Holdings Limited and Asia Pacific Data Centre Trust

We have reviewed the accompanying interim financial reports comprise:

- the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year period ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of Asia Pacific Data Centre Holdings (the Company) which comprises Asia Pacific Data Centre Holdings Limited and the entities it controlled at the period end and from time to time during the half-year period;
- the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the half-year period ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of Asia Pacific Data Centre Trust (the Trust).

Directors' responsibility for the interim financial report

The directors of Asia Pacific Data Centre Holdings Limited and the directors of Asia Pacific Data Centre Limited, the Responsible Entity of Asia Pacific Data Centre Trust (collectively referred to as "the directors") are responsible for the preparation of the interim financial reports 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 interim financial reports that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial reports based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial reports are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's and Trust's financial position as at 31 December 2014 and their performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Asia Pacific Data Centre Holdings Limited and Asia Pacific Data Centre Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial reports of Asia Pacific Data Centre Holdings Limited and Asia Pacific Data Centre Trust are not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's and the Trust's financial position as at 31 December 2014 and of their performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'Jillian Richards'.

Jillian Richards
Partner

Brisbane
24 February 2015