

Notes to the Consolidated Financial Report
30 June 2019
(continued)

15 Financial risk management (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, and trade and other receivables.

(i) Cash and cash equivalents and security deposits

Deposits are placed with Australian banks or independently rated parties with a minimum rating of 'BBB+'. To reduce exposure deposits are placed with a variety of financial institutions.

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

	30 June 2019 \$'000	30 June 2018 \$'000
CASH AT BANK		
AA rated	398,999	417,982
SECURITY DEPOSITS		
AA rated	8,822	4,151

In determining the credit quality of these financial assets, NEXTDC has used the long-term rating from Standard & Poor's as of July 2019.

(ii) Trade and other receivables

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

The Group aims to minimise concentration of credit risk by undertaking transactions with a large number of customers. In addition, receivable balances are monitored on an ongoing basis with the intention that the Group's exposure to bad debts is minimised.

Revenues from data centre services of \$61.2 million were derived from two customers (2018: \$44.4 million from one customer) whose revenue comprised more than 37% (2018: 29%) of total data centre services revenue.

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

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance provision as at 30 June 2019 is determined as follows; the expected credit losses below also incorporate forward looking information.

30 June 2019	Current \$'000	0 to 30 days past due \$'000	31 to 60 days past due \$'000	More than 60 days past due \$'000	Total \$'000
Expected loss rate	1%	5%	7.5%	20%	-
Gross carrying amount	23,762	2,068	787	1,703	28,320
Loss allowance provision	238	103	59	341	741
Net receivables	23,524	1,965	728	1,362	27,579