DomaCom

FRACTIONAL INVESTING

2018 Annual Report

DomaCom Limited and its Controlled Entities
ABN 69 604 384 885

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CHAIRMAN'S REPORT
30 JUNE 2018

Dear Shareholder

On behalf of the Board it is with pleasure I present the Annual Report for the year ended 30 June 2018.

Firstly, I would like to thank all our shareholders, staff and my fellow board members for their continual support and efforts in our journey of bringing this game changing approach to the market.

Whilst the quote, "nothing good ever comes easy" is attributable to a number of people, we, at DomaCom, have not lost or reduced our belief in the tremendous opportunity that exists within fractional investing whether as a wealth accumulation tool or a retirement planning tool with the significant potential afforded by equity release product.

Additionally, we have seen the structure of the DomaCom platform being used and considered for environmentally important aspects such as solar and socially important aspects such as affordable housing. This excites us and makes us proud that we can play a small part in helping both the environment and the community.

I'm sure that many of you have now recognised that the DomaCom platform starts to open up opportunities, which in this technologically changing environment, were not visible only a short time ago.

During the 2017-18 year, the board had to make a number of difficult and challenging decisions including reducing staff to lower our cost base including the board taking a significant drop in their own board remuneration and the changing of our Responsible Entity to allow us to introduce leverage into our property offerings which has been a major limitation particularly with the many advisers who are accredited to use DomaCom.

We have had to deal with many roadblocks over the last year and each of which seems to have been removed. The Federal Court in recent days handed down a decision in a test case with the ATO which ruled that the DomaCom offering is not a breach of the sole purpose test. At the time of writing we do not know if the ATO will appeal the decision but, as ruled, it would allow DomaCom to expand its offering into the important and continually growing SMSF marketplace. We have also in the last few weeks seen the Government remove elements of its draft MIT legislation which would have negatively affected our business and that of many others working in the MIT space. We have been also dealing with a cautious regulator around new offerings for the retirement marketplace such as our equity release product where understandably the regulator wants to ensure the protection of consumers. Our equity release product is in the final stages of approval and which will offer a significant new business opportunity for DomaCom.

All these matters have at various stages in part affected market confidence in DomaCom throughout the year which has seen the share price reflecting that uncertainty. With resolution of the majority of these matters our expectations are that our funds under management will continue to grow and this should be reflected in our share price.

From the board's perspective, whilst DomaCom has now been going since 2012, we believe this coming year will demonstrate the true potential of the company.

I would like to pay a particular thanks to our CEO Arthur Naoumidis who works tirelessly to deliver the game changing and consumer important vision that the DomaCom platform promises. Additionally, our COO Ross Laidlaw and our CFO Phil Chard, have also put in significant effort through the year to keep the wheels turning and to continue to deliver a positive approach in face of the many challenges thrown at us during the last 12 months.

CHAIRMAN'S REPORT
30 JUNE 2018

Many of you, have supported us from the early stages of DomaCom's development. This loyalty and belief are what drives us, the board and staff of DomaCom, to continue to push to deliver all that DomaCom promises. For our newer shareholders who have seen the potential in DomaCom, the board, thanks you for your support and belief.

Our results for the year are outlined in this report and I commend the reading of it to you.

Grahame Evans
Chairman
30 August 2018

CEO'S REPORT
30 JUNE 2018

Dear Shareholder

Overview

The past 12 months have been a very important period for DomaCom as we have had to address some major structural issues that have been holding back our business. When creating a new business that is unlike any other existing business there are many times that you come up with issues that we could not have anticipated – this is the hallmark of innovation.

I believe that we will look back to FY2018 as the year that DomaCom has achieved several key milestones that address these key structural issues and that will underpin the business going forward:

- Leverage in property purchases is now available

  Calendar year 2017 was spent resolving the issue that has been restricting our ability to find any lenders willing to lend to our fund. The solution to this was to appoint a new Trustee to the Fund who now allows us to borrow on normal commercial terms.

  Our inability to have debt has been a major road block to our growth as the vast majority of investment property purchases require internal leverage to make the investment tax efficient and to reduce the amount of capital required from the outset.

  This has been a significant issue for our business as our main target market, the financial planners, have a "best interest" obligation that also includes the tax effectiveness of their investment advice. Now that we can offer debt the advisers can now deliver tax effective outcomes using our platform.

  In March 2018, a new version of our Product Disclosure Statement (PDS) was issued that allows our advisers to syndicate their own mortgage backed loans using the DomaCom Platform and the first sets of transactions have been completed where the advisers have syndicated both the debt and the equity.

  Additionally, DomaCom announced our first $100 million debt facility from private lenders in June 2018 and the first transactions are currently being structured that will use this facility. This debt facility suits developments and commercial property investments and several transactions are in the process of being structured that will use this facility.

  On the residential property side, DomaCom has been speaking to several Banks and we are in the final stages of agreeing a loan facility that will suit both residential property developments and investments with our first bank lender.

  To date over 50 properties have been purchased with DomaCom since we started operations – all with no debt. Now that we have leverage available, every transaction that is currently in the pipeline incorporates some level of debt.

- Negative MIT Legislation resolved

  On the 14th September 2017 the Government issued draft legislation that proposed to ban Managed Investment Trusts (MITs) from investing in residential properties. As DomaCom is taxed as an MIT, this initially posed a significant risk to our business model and had been hanging over the company.

  At the time, DomaCom and our advisers had determined that should the legislation be implemented as proposed, that the company could change the tax treatment of the fund which, whilst not ideal, would result in a workable solution.

  DomaCom has participated in the consultation process in relation to the draft legislation and we are pleased to report the Government issued revised draft legislation on the 26th July 2018 that removed the proposal that MIT's being banned from purchasing residential properties. It is expected this legislation will be passed into Law in the September Parliamentary sitting.

- Federal Court Challenge

  For many years DomaCom has been attempting to get a ruling from the ATO that SMSF's investing in residential properties via the DomaCom Fund would not be in breach of the inhouse asset and sole purpose test restrictions of the superannuation legislation if a related party were to rent the underlying property.

  In 2017, this matter proceeded to a Federal Court hearing with the result of the trial judge ruling against DomaCom in December 2017.

  DomaCom had subsequently appealed the matter to the full bench of the Federal Court and the matter was heard on 23rd May 2018. The court has subsequently delivered its judgement with a partial victory for DomaCom.

  The court has ruled that the trial judge erred on the sole purpose test matter and the investment in the particular DomaCom sub-fund by an SMSF and the subsequent leasing of the underlying property to the daughter of the SMSF member did not breach the sole purpose test.

  We believe that this is a major milestone for both DomaCom and Australia and we are waiting to see whether the ATO will appeal this decision in the High Court.

  However, DomaCom was unsuccessful on the matter of whether the investment in the particular sub-fund was an investment in an inhouse asset or not. This ruling applied to the particular circumstances of the establishment of specific sub-fund used to test the matter with the key issues being the interplay between the constitution and disclosure documents applicable in 2015 when the sub-fund was created.

  Many of the items identified in the ruling that contributed to the court's decision have already been addressed in the years since 2015 and we, along with our advisers, are now analysing the detailed judgement to see whether any further amendments may be needed.

  We will then look to see what this ruling means for sub-funds created in the future and will update the market at the time.

  I would like to remind investors that a successful outcome on this strategy will result in DomaCom being able to offer a mainstream solution to housing affordability for the younger Australians using their own and the parent's superannuation – a game changer for Australia.

- Senior Equity Release

  DomaCom's Senior Equity Release ('SER') product has significant potential in terms of attracting a large new demographic of investors; the SER product will enable retirees to help fund their retirement by releasing equity from their homes to investors. This is particularly relevant to the 'Baby Boomer' generation and will also enable IFAs to include property in multi-generational wealth planning.

  We have been working with ASIC for 5 ½ years on this product and whilst we expected to be able to deploy this product earlier in 2018, we are now in the final stages of regulatory approval process and if successful it is anticipated that we will have the product available in the last quarter of 2018.

Financial Results

For the full year we reported a loss of $5.7 million ($6.1 million loss 2017), which is in line with expectations and reflects our position as an early stage company. DomaCom underwent a major cost reduction program during FY2018. There were significant costs savings across all areas. In particular salary and wages were 24% lower than the previous year, representing a reduction of $0.6 million from $2.5 million for FY2017 to $1.9 million for FY2018. The full effect of these costs savings will continue to be seen in FY2019.

CEO'S REPORT
30 JUNE 2018

Our Business

The DomaCom Fund leverages its proprietary cloud-based technology platform to deliver a range of important differentiating functions for investors in our sub-funds:

- Campaign functions *enabling* investors to pool together to acquire any property asset ("crowdfunding").
- Liquidity through the ability to buy and sell on the platform.
- Greater choice, by being able to search properties through our platform and bid on individual assets they deem attractive.
- An ability to invest alongside family and friends via an enhancement to our platform we are rolling out in the fourth quarter of this year. This will enable a group of family and friends to select a property of their choosing and co-invest together.
- DomaCom is extending its business to allow fractionalisation of other assets such as direct mortgages and other non-property investments. This will help to diversify the income stream of the business.

Outlook & Conclusion

I would like to thank the shareholders who have stayed the course and continued to hold the stock. Whilst progress has been much slower than we would all expect, DomaCom is a complex business that is finally, we believe, nearing the "home stretch". DomaCom has addressed the key road blocks to our business and we are well positioned for the future and we are starting to see the evidence.

We believe that the coming 12 months will be a time when the company starts to demonstrate traction in our business with substantial growth in our underlying FUM and with the consequent improvement in our cash flow.

The ability to have debt has already started to make to a difference to the operational success of the company as it has taken us 3 years to get to $28 Million in FUM and then within a few months of having lending available the FUM grew to $35 million. We now have another $17 million of transactions due to exchange in the next little while which will take us to around $52 Million. We also have a further $100 Million plus of transactions in the pipeline – all of which have debt involved which shows the importance of debt on property investment.

We believe that we are positioned to benefit from a number of market themes that are clearly evident at the moment:

- Housing affordability;
- Withdrawal of banks from non-recourse lending to SMSF's;
- Tightening up of borrowing hurdles from Banks regarding serviceability;
- Ageing population and concerns over level of retirement savings; and
- Reduction in developer funding.

DomaCom is well positioned to benefit from this perfect storm of difficulties in people purchasing properties – either for investment or to live in.

Our federal court action also has the potential to place DomaCom at the center of a solution to housing affordability for millions of Australians that are struggling to get on the property ladder. We expect a final resolution to this matter in the next 12 months.

Arthur Naoumidis
Chief Executive Officer
30 August 2018

DIRECTORS' REPORT
30 JUNE 2018

Your directors present their report on DomaCom Limited (the "Company") and its Controlled Entities (the "Group") for the year ended 30 June 2018.

1. Directors

The names of the directors in office throughout the year and to the date of this financial report are Mr David H Archbold, Mr Graeme A Billings, Mr Peter C Church OAM, Mr Grahame D Evans, Mr Ross A Laidlaw and Mr Arthur Naoumidis. The name of the company secretary in office throughout the year and to the date of this financial report is Mr Philip J R Chard. Details of qualifications, experience and special responsibilities of the Directors are as follows:

Grahame D Evans – Chairman and Independent Non-Executive Chairman
Grahame has been extensively involved with the financial services industry for over 30 years. He has held a variety of board positions including Chairman of Australian, Canadian, Singaporean & Chinese investment & advisory businesses and also as a director of Malaysian and New Zealand companies. He is a regular speaker at conferences both in Australia and overseas and holds an MBA from the prestigious Australian Graduate School of Management, voted in the top 10 management schools in the Asian region. Grahame's executive roles have included CEO Investments for Tower Australia, Managing Director, AMP Consulting and Group Managing Director of Centrepoint Wealth. He is currently an executive director of GPS Wealth. Grahame has been a director of DomaCom Limited since 23 February 2015.

Arthur Naoumidis – Chief Executive Officer
After 20 years as an IT consultant, Arthur spent 5 years at JB Were and BNP Paribas building and operating investment administration systems and businesses. Using the combined technology and investment administration background, Arthur founded the now ASX Listed Praemium (ASX:PPS). Arthur grew Praemium into a business with 500 client firms (accountants, financial planners, stockbrokers, SMSF administrators and institutions) in Australia administering over $43 Billion as well as partnering with Blackrock Australia to launch Australia's first online separately managed account (SMA) platform. As a result of listing Praemium on the ASX, Arthur took the Praemium SMA concept to the UK and successfully launched the SMA platform business of Praemium UK.

Arthur is now taking some of the advanced equity concepts he pioneered in the equity markets during his Praemium days into a market that has been relatively untouched by technology and business process improvements – the property market. Arthur has been a director of DomaCom Limited since 23 February 2015.

David H Archbold – Independent Non-Executive Director
David has over 45 years' experience in the property industry in Australia. Prior to the establishment of International Property Group Pty Limited in 1991, David was Executive Director - International, for Colliers Jardine and Executive General Manager of Hooker Corporation. For 17 years prior he was Managing Director of Baillieu Knight Frank (SA) Pty Ltd, then Managing Director of Baillieu Knight Frank (NSW) and a Director/Partner of the Australian Company.

David has extensive experience in property consultancy throughout Australia and South East Asia with Corporate and large family owned businesses. David has been a director of DomaCom Limited since 23 February 2015.

Graeme A Billings – Independent Non-Executive Director
Graeme has been a chartered accountant since 1980. He retired from PricewaterhouseCoopers in 2011 after 34 years where he was a senior partner in the Assurance practice. Graeme is a former head of the Melbourne Assurance practice as well as leading the Firm's Australian and Global Industrial Products businesses. He has extensive experience in providing assurance, governance, transaction and consulting services to multi-national and national companies in the automotive, manufacturing, consumer goods and construction industries. Graeme was also a regular media commentator on the Industrial Products sector.

Graeme is now an advisor to various companies as well as acting as a non-executive director for a number of public and private companies in the financial services, manufacturing, retail and construction sectors. Graeme has been a director of DomaCom Limited since 23 February 2015.

Peter C Church OAM – Independent Non-Executive Director
Peter Church OAM FAICD is a lawyer and corporate adviser who has spent much of his career in South East Asia and India where he advises a wide range of clients. He has written a number of books on the region and is an Adjunct Professor in the Business School of Curtin University. He was awarded the Medal of the Order of Australia (OAM) in 1994 by the Australian Government for the promotion of business relations between Australian and South East Asia. He is also a Fellow of the Australian Institute of Company Directors (FAICD). His current appointments include Executive Chairman of AFG Venture Group, Special Counsel to the English law firm, Stephenson Harwood, Non-Executive Director of OM Holdings Limited (ASX) and Elara Capital PLC. Peter has been a director of DomaCom Limited since 26 August 2015.

Ross A Laidlaw – Executive Director
Ross has spent over 25 years in Financial Services, and has deep and expansive experience within markets in Australasia, Europe and America. His strength lies in the development of start-up or green field developments and driving them into fully fledged and profitable businesses. Ross was CEO of the successful Skandia Platform for over 7 years, developing it into a leading Platform that was well supported by independent financial advisers. Prior to being transferred to Skandia's European business the business had grown organically to over $5 billion in assets under management and employed over 200 staff. Ross has held a number of directorships including the Australian businesses, Skandia's joint venture in Mainland China, Skandia's Fund Management Company in Ireland and American Skandia's Broker Dealer group.

Ross is qualified Chartered Accountant, and Fellow of the Financial Services Institute of Australasia and his key role at DomaCom is as Chief Operating Officer. Ross has been a director since 23 February 2015.

Philip JR Chard – Chief Financial Officer, Company Secretary
Philip has over 25 years of experience in the financial services industry. As a senior manager at Deloitte he provided assurance and advisory services within the funds management and investment banking sectors. Subsequently he has held a broad range of financial control and reporting positions within the property, funds management and banking sectors. He has a strong understanding of the requirements of highly regulated industries and the reporting obligations of listed companies. He has a proven track record of designing and implementing robust internal control and reporting systems.

2. Directors meetings

The number of Directors' meetings and the number of meetings attended by the Directors of the Company during the year ended 30 June 2018 were:

	Board of Directors		Audit Committee		Risk Management	
	Held	Attended	Held	Attended	Held	Attended
Mr David H Archbold	12	12	5	5	1	1
Mr Graeme A Billings	12	12	5	5	1	1
Mr Peter C Church	12	12	5	5	1	1
Mr Grahame D Evans	12	12	-	-	1	1
Mr Ross A Laidlaw	12	10	-	-	1	1
Mr Arthur Naoumidis	12	12	-	-	1	1

3. Principal activity

During the year, the principal activities of entities within the Group were the development of a software platform to be used for the trading of fractional interests in property.

4. Operating results

The Group has incurred an operating loss of $5,671,250 (2017:$6,136,417).

5. Distributions paid or declared

No distributions were declared or paid in the current year.

6. Review of operations and financial results

The Group is a participant in the financial services market in Australia. DomaCom Limited is the holding company and DomaCom Australia Limited, DomaCom Platform Services Pty Ltd and DomaCom Singapore Private Limited are 100% owned subsidiaries of the DomaCom Group.

DomaCom Australia Limited is the investment manager of the DomaCom Fund ("the Fund") (Managed Investment Scheme). The Fund allows investors to hold fractional interests in underlying assets, that they themselves have selected or their advisers on their behalf.

New Developments since last year

- Change of Trustee
- New Product Disclosure Statement launched with new Product initiatives
- Credit Facility
- Crowd Funding Loans
- Equity Release Approval
- Exposure Draft MIT legislation
- Federal Court Hearing

Change of Trustee

In December of 2017 DomaCom was successful in holding a unitholder meeting to change the Trustee and Responsible Entity from Perpetual Trustees to Melbourne Securities Corporation Limited. This was supported by the retiring Trustee and the incoming Trustee that operates in the Fintech space which is more aligned to DomaCom's vision and future product initiatives.

New Product Disclosure Statement launched with new Product initiatives

On the 27th February 2018 a new product disclosure statement was launched which increased the range of asset classes that DomaCom is able to fractionalise. Our Vision has always been to fractionalise other asset classes. We are now able to fractionalise Loans and other special projects where the underlying asset maybe a debt instrument or a share in an unlisted company. This significantly enhances the opportunities available for DomaCom, increases its potential investor base and in turn ability to grow funds under management.

Credit Facility

Obtaining a Third-Party lender to provide finance to the DomaCom Fund has been a challenge due to the non-recourse style of borrowing and also because the former Trustee had some unusual conditions which a lender would not agree to. It is very pleasing to announce in early June 2018, that we had secured a $100 million lending facility through a panel of non-bank lenders. This has also resulted in increased activity from a number of interested clients. We are also progressing a line of credit with Bank lenders, which we hope to secure shortly.

Crowd Funding Loans

It has been a significant development that not only can the DomaCom Fund crowd fund the equity side of the transaction, it is now able to establish crowd funding campaigns to raise the debt side of the transaction from its client base. The financial planner has clients interested in investing on the equity side of the transaction looking for capital growth and income yield, while they also have clients interested in securing an income yield above term deposit rates and with the security of a first registered mortgage. We have undertaken one such transaction and have a number of others in the pipeline.

Equity Release

This product is very relevant for the current demographic situation faced by Australia and many other countries. Many people are outliving their retirement savings, particularly as the older generation has not had the years of accumulating funds into Superannuation as the Superannuation guarantee only commenced in the early 1990's. DomaCom have been working on a product called Seniors Equity Release for many years. It is pleasing to state that we are just finalising the relief documentation with Australian Securities Investment Commission. This product will allow retirees to release equity in their homes to supplement their retirement savings and enjoy their final years. It is expected we will release this product in the latter part of this year.

Managed Investment Trust Schemes (MITs) Exposure Draft

In September 2017 the Government introduced an exposure draft in its efforts to improve the affordability of Housing that has become a significant issue across Australia particularly in the larger cities of Sydney and Melbourne. However, this initial exposure draft outlawed the use of MITs for the use of residential Housing unless it was said to be for affordable housing and was managed by a Community Housing Provider. DomaCom amongst others major companies lobbied hard to the Treasury Department of Australia, the Treasurer and also the Assistant Treasurer of the Australian Government that this decision should be reversed. While we supported their initiatives in the areas of affordable housing.

It is very pleasing to see that an amended exposure draft was released in early August 2018 and the Government has titled this exposure draft "Making sure Foreign Investors pay their fair share of Tax and other Measures" and has reversed the early decision and has lifted the rate of withholding tax that applies to Foreign investors from 15% to the current corporate Taxation rate of 30% when they are making passive investments into Residential Housing or Agricultural land. We commend the Government on this change and their willingness to listen to the business community. It is expected this exposure draft will be passed into Law in September of this year.

This allows DomaCom to continue to use its MIT for Residential Housing and also Agricultural land.

Federal Court Hearing

DomaCom has been actively progressing a challenge against the Australian Taxation Office in the Federal Court seeking a ruling in relation to Self-Managed Superannuation Funds ("SMSF"). DomaCom has been seeking confirmation that the legislation allows SMSFs to invest in a DomaCom sub-fund that owns a residential property that is rented by a related party (i.e. family member). DomaCom has been seeking court confirmation that DomaCom is one widely held trust and does not breach the sole purpose test. If successful, the ruling would open the entire SMSF industry to property investment in a way that has not been possible before and support generation X and Y in tackling the affordability of housing issue.

DomaCom was unsuccessful in the first hearing in the Federal Court with the decision handed down in December last year. DomaCom has appealed against this decision and the case was reheard in front of 3 Federal Court judges in May 2018.

On the 10th August the Federal Court handed down their decision. The Court held that the primary judge was incorrect in concluding that the leasing of the residential property held by the sub-fund to a child of a member of a Self Managed Superannuation Fund (SMSF) was a breach of the 'sole purpose test'. The Court held that the primary judge was correct to conclude that the units held by the SMSF in a sub-fund of the DomaCom Fund constituted an investment in a 'related trust' of the SMSF. In relation to the related trust determination, we are reviewing the comprehensive judgment with our lawyers and will look at this further to investigate about the effect, if any, of the decision on the DomaCom Fund.

Cost Savings

The company took steps earlier this year to reduce its costs, which did result in the reduction of staff across all areas of the business and resulting in budgeted annual savings of $1.8m and 25% reduction in staff numbers. This was done to manage the business more in line with current capacity.

The Fund has successfully completed approximately 50 crowdfunding transactions and has just under 1,000 investors at 30 June 2018. With the increased range of products and the goal to release the Equity Release product later in the year, DomaCom has removed a number of hurdles that were reducing its ability to grow its investor base and in turn Funds under management. It is very pleasing to state that DomaCom has a very healthy sales pipeline across a range of opportunities that include further Land Banking opportunities, Commercial developments, residential developments, rural opportunities and exciting developments in the alternative energy space.

7. Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Group during the year.

8. Post Balance Date Events

Subsequent to balance date and prior to the issuing of this report, the following events have occurred:

- The Group's Research and Development tax incentive claim has been registered with AusIndustry and an amount of $558,324 will be claimed.

No other matters or circumstances have arisen since the end of the year which 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 future financial years.

9. Future Developments

The Group is expected to continue to develop its software platform and increase the level of assets under management in the DomaCom Fund (Managed Investment Scheme) for which the Group will earn management fees for its role as Investment Manager.

10. Unissued shares under Performance Rights and Options

Performance Rights were issued under the programs described in Note 13 to the financial statements. No other options were granted or are outstanding at the date of this report.

Date Granted	Expiry Date	Exercise price of shares ($)	Number of shares under Performance Rights
14 December 2015	30 November 2018	$nil	136,929
5 April 2018	5 April 2021	$nil	5,107,129

Options were granted to the Australian Special Opportunity Fund, LP, a New York-based institutional investor managed by The Lind Partners, LLC (together, "Lind") as set out in Note 13

Date Granted	Expiry Date	Exercise price of shares ($)	Number of shares under Options
24 January 2018	24 January 2021	$0.114	3,700,000
5 April 2018	15 June 2021	$0.065	1,850,000

11. Shares issued during or since the end of the year as a result of exercise of Performance Rights

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of Performance Rights as follows (there were no amounts unpaid on the shares issued):

Date Granted	Issue Price of Shares ($)	Number of shares issued
14 December 2015	$nil	969,699
5 April 2018	$nil	496,260

12. Remuneration Report (audited)

The Directors present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:

a Principles used to determine the nature and amount of remuneration;
b Details of remuneration;
c Service agreements;
d Share-based remuneration; and
e Other information

a) Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:
- to align rewards to business outcomes that deliver value to shareholders
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

A remuneration framework has been structured that is market competitive and complementary to the reward strategy of the Group.

The remuneration structure that has been adopted by the Group consists of the following components:
- fixed remuneration being annual salary;
- short term incentives (STI), being cash-based sales bonuses; and
- long term incentives (LTI), being equity-based incentive plans.

Short Term Incentives (STI)
Short term incentives have been established to reward members of the sales department. The non-discretionary incentives are structured to reward performance against financial targets, including Funds Under Management.

Long Term Incentives (LTI)
The Group has established a long term equity-based incentive plan for Directors and staff in order to:
- assist in the retention and motivation of directors and employees; and
- provide an incentive to grow shareholder value by providing an opportunity to receive an ownership interest in the Company.

The plan provides for the award of both Employee Share Options and Employee Performance Rights to Directors, executives, employees and consultants.

As the Group listed on the ASX on 7th November 2016 historical performance indicators have only been included from 2016 onwards.

	2018	2017	2016
Earnings/(Loss) Per Share ($)	(0.05)	(0.06)	(0.06)
Net Profit/(loss) ($'000)	(5,671)	(6,136)	(6,061)
Share price ($) *	0.066	0.11	-

* Price at 30 June

b) Details of remuneration

		Short-term employee benefits	Post-employment benefits	Long-term benefits	Share-based payments		
	Year	Cash salary and fees	Superannu-ation	Long service leave	Perform-ance Rights	Total	Perform-ance based % of remune-ration
Executive Directors							
Arthur Naoumidis	2018	191,018	18,147	2,173	55,119	266,457	21%
Director and CEO	2017	240,482	22,846	2,085	-	265,413	0%
Ross Laidlaw	2018	163,621	15,544	4,708	50,249	234,122	21%
Director and COO	2017	213,090	20,244	1,057	-	234,391	0%
Non-executive directors							
Grahame Evans	2018	52,045	-	-	14,612	66,657	22%
Chairman & Independent Director	2017	60,000	-	-	-	60,000	0%
David Archbold	2018	32,774	3,114	-	9,741	45,629	21%
Independent Director	2017	36,614	3,478	-	-	40,092	0%
Graeme Billings	2018	32,774	3,114	-	9,741	45,629	21%
Independent Director	2017	36,614	3,478	-	-	40,092	0%
Peter Church	2018	32,774	3,114	-	9,741	45,629	21%
Independent Director	2017	40,000	-	-	-	40,000	0%
Other Key Management Personnel							
Philip Chard	2018	162,000	15,390	2,744	41,707	221,841	19%
CFO / Company Secretary (1)	2017	141,167	13,411	1,895	10,639	167,112	6%
2018 Total		667,006	58,423	9,625	190,910	925,964	
2017 Total		767,967	63,457	5,037	10,639	847,100	

(1) Appointed as CFO on 9 May 2017

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

Employee	Fixed Remuneration	At risk: Short Term Incentives	At risk: Performance Rights (i)
Executive Directors			
Arthur Naoumidis	79%	-	21%
Ross Laidlaw	79%	-	21%
Non-Executive Directors	79%	-	21%
Other Key Management Personnel			
Philip Chard	81%	-	19%

(i) based on the value of $0.093 at grant date.

Remuneration and other terms of employment for executive directors and senior executives are formalised in letters of employment that provide for various conditions in line with market practice including:

- an annual remuneration package and benefits including superannuation;
- the basis of termination or retirement and the benefits and conditions as a consequence; and
- agreed provisions in relation to annual leave and long service leave, confidential information and intellectual property.

The compensation for termination benefits was $nil (2017: $nil).

c) Service agreements

No key management personnel are employed under a service agreement.

d) Share-based remuneration

Performance Rights granted to directors and employees during the year ended 30 June 2018 under the Long Term Incentive Plan have an exercise price of $nil, were granted at no cost to the recipient and carry no dividends or voting rights. Vesting gives the holder of a Performance Right the right to convert into ordinary shares on a one-for-one basis. The performance rights were issued with no vesting conditions. A cost reduction program implemented during the year ended 30 June 2018 included a reduction in fees paid to non-executive directors and salary paid to executive directors. The issue of the Performance Rights was made to partially compensate for these reductions.

The Performance Rights issued during the year ended 30 June 2018 will expire on 5 April 2021 and may be exercised at any time up to the expiry date.

Details of Performance Rights that were granted as remuneration during the year ended 30 June 2018 to key management personnel are set out below.

Employee/ Director	Number granted	Grant date	Value per Performance Right at grant date	Number vested	Exercise Price ($)	Vesting and first exercise date	Last exercise date
Arthur Naoumidis	592,681	5 April 2018	$0.093	592,681	-	5 April 2018	5 April 2021
Ross Laidlaw	540,309	5 April 2018	$0.093	540,309	-	5 April 2018	5 April 2021
Grahame Evans	157,117	5 April 2018	$0.093	157,117	-	5 April 2018	5 April 2021
David Archbold	104,745	5 April 2018	$0.093	104,745	-	5 April 2018	5 April 2021
Graeme Billings	104,745	5 April 2018	$0.093	104,745	-	5 April 2018	5 April 2021
Peter Church	104,745	5 April 2018	$0.093	104,745	-	5 April 2018	5 April 2021
Philip Chard	448,460	5 April 2018	$0.093	104,745	-	5 April 2018	5 April 2021

213,929 Performance Rights issued to Ross Laidlaw on 14th December 2015 were forfeited as the vesting conditions has not been met.

e) Other information

The number of Performance Rights in the Company held during the financial year ended 30 June 2018 held by key management personnel, including their related parties, are set out below:

	Balance at start of year	Granted as remuneration	Exercised	Forfeited	Vested and exercisable at the end of the reporting period
Non-Executive Directors					
Grahame Evans	42,786	157,117	-42,786	-	157,117
David Archbold	28,590	104,745	-133,335	-	-
Graeme Billings	28,590	104,745	-133,335	-	-
Peter Church	28,590	104,745	-133,335	-	-
Executive Directors					
Arthur Naoumidis (i)	31,324	669,148	-31,324	-	669,148
Ross Laidlaw	213,929	540,309	-	-213,929	540,309
Executives					
Philip Chard	128,253	448,460	-128,253	-	448,460

(i) Includes opening balance of 31,324 and 76,467 granted to Kathryn Naoumidis (related party to Arthur Naoumidis) as an employee of the Company.

The number of ordinary shares in the Company held during the financial year ended 30 June 2018 held by key management personnel, including their related parties, are set out below:

	Balance at start of year	Granted as remuneration	Received on exercise	Other changes	Held at end of reporting period
Executive Directors					
Grahame Evans	817,500	-	42,786	-	860,286
David Archbold	250,000	-	133,335	-	383,335
Graeme Billings	375,000	-	133,335	-	508,335
Peter Church	50,000	-	133,335	-	183,335
Non-Executive Directors					
Arthur Naoumidis (i)	18,913,323	-	31,234	-	18,944,557
Ross Laidlaw	1,625,000	-	-	-	1,625,000
Philip Chard	-	-	128,253	-50,000	78,253

(i) Includes shares issued to Kathryn Naoumidis (related party to Arthur Naoumidis) on exercise of Performance Rights.

There were no loans to key management personnel during the year.

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

End of audited Remuneration Report.

13. Environmental Issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth and State.

14. Indemnification and insurance of Officers or Auditor

During or since the end of the financial year, the Group has given indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

During the year, the Group has paid premiums in respect of an insurance contract to indemnify officers against liabilities that may arise from their position as officers of the Group. Officers indemnified include all directors and all executive officers participating in the management of the Group.

Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the terms of the contract.

15. Proceedings on Behalf of the Group

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of their proceedings. The Group was not a party to any such proceedings during the year.

As set out above, DomaCom Australia, a subsidiary of DomaCom Limited, has been supporting an action in the Federal Court for a determination that DomaCom sub-funds are not inhouse assets or related trusts for the purposes of the SIS (Superannuation Industry Supervision) Act.

16. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by section 307C of the Corporations Act 2001 is set out in the following report.

17. Corporate Governance Statement

The Board of DomaCom has adopted the following Corporate Governance policies and practices which are in accordance with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations (3rd Edition)" (ASX Guidelines) unless otherwise stated. The ASX Corporate Governance Council (the "Council") is currently consulting on proposals to update and issue a 4th Edition of its Corporate Governance Principles and Recommendations (the "Principles and Recommendations"). The Council will consider all submissions it receives in response to this consultation before finalising the fourth edition of the Principles and Recommendations. The Council envisages that the final version of the fourth edition will be released in early 2019 and will take effect for an entity's first full financial year commencing on or after 1 July 2019.

Role and responsibility of the Board (Principle 1.1)

The Board is responsible for the overall corporate governance of the Company, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy, including approving the strategic goals of the Company and considering and approving an annual business plan (including a budget). The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

- The Board is responsible for the strategic direction of the company.
- The Board reviews and approves the Company's proposed strategy. The objectives of the Company are clearly documented in a long term corporate strategy and an annual business plan together with achievable and measurable targets and milestones.
- The Board approves budgets and other performance indicators and reviews performance against them and initiates corrective action when required.
- The Board ensures that risks facing the company have been identified, assessed and that the risks are being properly managed.
- The Board ensures that policies on key issues are in place and are appropriate. The Board also reviews compliance with policies.
- The Board adopts the most effective structure that best assists the governance process. The selection of Directors is based on obtaining the most relevant and required skills, while also recognising the need to have a diversity of skills and experience on the Board.
- The Board approves and fosters an appropriate corporate culture matched to the Company's values and strategies.
- The Board appoints the Managing Director and evaluates his or her ongoing performance against predetermined criteria. **(Principle 1.6)**
- The Board approves remuneration for the Managing Director and remuneration policy and succession plans for the Managing Director and senior management. **(Principle 1.6)**

Board Charter (Principle 1.1)

A Board charter prepared having regard to the ASX Corporate Governance Principles and Recommendations, has been adopted by the Board and covers the independence of directors, the Board's responsibility for overall governance of the Company, the Board members' roles, powers and responsibilities.

A copy of the Company's Board Charter is available on the Company's Website at: www.domacom.com.au/investor-relations.

Board Committees (Principle 1.2)

The Board has established 1 standing committee to facilitate and assist the Board in fulfilling its responsibilities. It may also establish other committees from time to time to assist in the discharge of its responsibilities.

Audit Committee (Principle 4)

The Board has established a Board Audit Committee.

The purpose of the Committee is to assist the Board in the effective discharge of its responsibilities in relation to the external audit function, accounting policies, financial reporting, funding, financial risk management and certain compliance matters.

The Committee has authority from the Board to review and investigate any matter within the scope of its Charter and make recommendations to the Board in relation to the outcomes. The Committee has no delegated authority from the Board to determine the outcomes of its reviews and investigations and the Board retains its authority over such matters.

The Committee must have at least three members, a majority of whom must be independent non-executive directors.

At least one member of the Committee should have significant expertise in financial reporting, accounting or auditing. The Chairman of the Committee should act independently and must not be the Chairman of the Board.

The current Audit Committee members are:

- Graeme Billings Chairperson and Independent Non-Executive Director
- David Archbold Independent Non-Executive Director
- Peter Church Independent Non-Executive Director

The Board has received declarations from the CEO and CFO that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. **(Principle 4.2)**

A copy of the Company's Audit Committee Charter is available on the Company's Website at: www.domacom.com.au/investor-relations.

Remuneration and Nomination Committee (Principle 1.2/ 2.1/ 8.1-8.3)

The Remuneration and Nomination Committee at present comprises the full Board.

The Board considers that at this stage assuming the duties of a Remuneration and Nomination Committee is appropriate in light of the Company's operations and size, and the size of the Board. All of the Directors believe that they will able to, individually and collectively, analyse the issues before them objectively in the best interests of all shareholders and in accordance with their duties as Directors.

The Board also addresses board succession issues and ensures that it has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Board Charter outlines duties relating to Remuneration and Nomination, and is made available on the Company website.

The Company has established a long term incentive plan (LTIP) to assist in the motivation, reward and retention of executive directors and all other employees. The LTIP is designed to align participants' interests with the interests of Shareholders by providing participants an opportunity to receive shares through the granting of performance rights.

Composition of the Board (Principle 2.3, 2.4 & 2.5)

The Board currently comprises six directors (two of whom are also executives of the Company). The names, biographical details and length of service of the directors are set out above.

Terms of appointment (Principle 1.3 & 2.6)

The Board has adopted a letter of appointment that contains the terms on which non-executive directors are to be appointed, including the basis upon which they will be indemnified by the Company. Non-Executive directors are entitled to take independent advice at the cost of the Company in relation to their role as members of the Board. In addition, an induction process for incoming directors is coordinated by the Company Secretary. The Board receives regular updates at Board meetings, industry workshops, meetings with customers and site visits. These assist directors to keep up-to-date with relevant market and industry developments.

Areas of Competence and skills of the Board of Directors (Principle 2.2)

Area	Competence	Total out of 6 directors*
Leadership	Business Leadership, public listed company experience	6
Business, Finance and Governance	Business strategy, competitive business analysis, corporate advisory, finance and accounting, governance, audit assurance and risk management	6
International	International business management	6
Market & Sales, Distribution	Financial service expertise	3
Technology	Product Development, product life cycle management	1
Real Estate	Domestic and International Property market analysis	1

*This column represents the number of directors rated as being 'competent' or higher in respect of the relevant skill.

Company Secretary (Principle 1.4)

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for ensuring that Board procedures are complied with and that governance matters are addressed. The Company Secretary is also responsible for communications with the ASX about listing rule matters, including making disclosures to the ASX. All directors have direct access to the Company Secretary. The appointment and removal of the Company Secretary is a matter for decision by the Board.

Review of Board performance (Principle 1.6 & 1.7)

The Board at least annually reviews the performance of the Board. The evaluation includes a review of:

- the Board's membership and the charters of the Board and its committees (if any);
- Board processes and its committees' (if any) effectiveness in supporting the Board; and
- the performance of the Board and its committees (if any).

The performance of the Board was reviewed during the year ended 30 June 2018.

A review of each Director's performance is undertaken by the Chairman, after consultation with the other directors, prior to a director standing for re-election.

Policies

The Company has adopted the following policies, each of which has been prepared or revised having regard to the ASX Corporate Governance Principles and Recommendations and is available on the Company's website at www.domacom.com.au/investor-relations.

Continuous Disclosure Policy (Principle 5.1)

The Board has adopted a Continuous Disclosure Policy to ensure that it complies with its disclosure obligations under the Corporations Act and the ASX Listing Rules, which applies to all Directors, officers, employees and consultants of the Company. The Board has also delegated the authority to certain authorised spokespersons to manage the Company's compliance with its disclosure obligations and the Continuous Disclosure Policy.

Code of Conduct Policy (Principle 3.1)

This policy sets out the standards of ethical behaviour that the Company expects from its Directors, Officers, and Employees. The Board has adopted a Code of Conduct of which sets out the way in which the Group seeks to conduct business, namely in an honest and fair manner, acting only in ways that reflect well on the Group and to act in compliance with all laws and regulations.

Communication Policy (Principle 6.1-6.4)

This policy sets out practices which the Company will implement to ensure effective communication with its Shareholders.

The Company has informed shareholders of all major developments affecting the Group's state of affairs as follows:

- placing all relevant announcements made to the market on the Website after they have been released to ASX;
- publishing all corporate governance policies and charters adopted by the Board on the Company Website;
- releasing information provided to analysts or media during briefings to ASX and placing such information on the Website;
- encouraging attendance and participation of shareholders at general meetings to receive updates from the CEO and Chairman on the Group's performance, ask questions of the Board and the Company's auditors regarding the conduct of the audit and preparation and content of the auditor's report.
- providing investor feedback and encouraging they seek further information about the Company via the Company website;
- Management or Directors being available to meet with shareholders from time to time upon request and respond to any enquiries they may make; and
- Investors being able to communicate with the Company's registry electronically by emailing the registry or via the registry's website.

Diversity Policy (Principle 1.5)

The Diversity Policy sets out the Company's objectives for achieving diversity amongst its Board, management and employees and aims:

- to articulate commitment to diversity within the Company at all levels (including employee level, senior executive level and Board level);
- to establish objectives and procedures which are designed to foster and promote diversity within the Company; and
- ensure a work environment is in place where people are treated fairly and with respect notwithstanding their gender, ethnicity, disability, age or educational experience.

The Board has set the following measurable objectives for achieving gender diversity:

- Increase gender diversity on the Board and senior executive positions and throughout the Group. The Company currently has 11% female representation across the entire group as at 30 June 2018. The objective will be to lift this percentage across the company with the intention that a 1/3 (33%) of the employees are female on a full or part time basis by 30 June 2020.
- Promote flexible work practices to provide managers and staff with the tools to tailor flexible work options that suit both the business and the individual's personal requirements;

- Selection of new staff, the development, promotion and remuneration of staff based solely on their performance and capability; and
- Annually assess gender diversity performance against objectives set by Board.

The Company's current performance against its diversity policy objectives is as follows:

Gender Representation	30-Jun-18		30-Jun-17	
	% Female	% Male	% Female	% Male
Non-Executive Directors	0%	100%	0%	100%
Employees				
Executive Directors	0%	100%	0%	100%
Managers	0%	100%	14%	86%
Staff	20%	80%	24%	76%
Total Employees	11%	89%	20%	80%

Risk Management Policy (Principle 7.1-7.4)

This policy sets out how the Company evaluates the effectiveness of its risk management framework to ensure that its internal control systems and processes are monitored and updated on an ongoing basis.

The Board is responsible for reviewing the Company's risk management framework, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The Board at least annually reports on the effectiveness of the Company's risk management and internal control policies and practices. The Company does not currently have an internal audit function. The current structure for reviewing risks, controls and procedures within the Board is considered appropriate at the Company's current stage of growth and size.

The Board has reviewed the risk management framework during the financial year ended 30 June 2018.

The Company monitors its exposure to all risks, including economic, environmental and social sustainability risks. Material business risks are described in the annual report, which also outlines the Company's activities, performance during the year, financial position and main business strategies.

Compliance with ASX Corporate Governance Principles and Recommendations

The Board has evaluated the Company's current corporate governance policies and practices in light of the ASX Corporate Governance Principles and Recommendations. A brief summary of the approach currently adopted by the Company is set out below:

The Company complies with all of the ASX Corporate Governance Principles and Recommendations including, as not specifically addressed above:

- That at each AGM, the external auditor attends and is available to answer questions from security holders relevant to the audit. **(Principle 4.3)**
- That shareholders have the option to receive communications from, and send communications to, the entity and its security registry electronically. **(Principle 6.4)**

except in relation to the following:

- Recommendation 2.1.(a) – the Board should establish a nomination committee comprising at least 3 members, a majority of independent directors and chaired by an independent director, and should not be the same person as the CEO of the entity.
- Recommendation 7.1.(a) –the Board should have a committee or committees to oversee risks comprising at least 3 members, a majority of independent directors and chaired by an independent director, and should not be the same person as the CEO of the entity.

- Recommendation 8.1.(a) – the Board should establish a remuneration committee comprising at least 3 members, a majority of independent directors and chaired by an independent director, and should not be the same person as the CEO of the entity.

The Board has carefully considered its size and composition, together with the specialist knowledge of its directors, and formed the view that based on its current composition, it has the necessary skills and motivation to ensure that the Company performs strongly, and there is sufficient accountability in the structure of the Board, to ensure the outcomes and objectives sought by the ASX Guidelines are achieved. Having regard for the size of the DomaCom Group, the Board considered that incorporating the risk management and nomination and remuneration procedures into the function of the Board has been an appropriate way of addressing the accountability and efficiencies sought to be achieved by the ASX Guidelines.

Signed in accordance with a resolution of the Board of Directors:

Grahame D Evans
Chairman
30 August 2018

Arthur Naoumidis
Director

Collins Square, Tower 1
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of DomaCom Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of DomaCom Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner - Audit & Assurance

Melbourne, 30 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
Revenue		142,981	93,045
Income recognised from research and development incentive		290,309	581,377
Interest Income		15,362	56,356
Fair value gains and losses on derivatives		324,501	-
	4	773,153	730,778
Expenses			
Employee benefits expenses	13	(2,681,382)	(2,980,981)
Fund administration		(216,615)	(291,156)
Rent		(175,501)	(210,806)
Depreciation		(665,649)	(663,589)
Insurance		(214,878)	(342,890)
Advertising		(561,872)	(740,447)
Travel expenses		(102,426)	(160,098)
IT expenditure		(48,576)	(47,714)
Telephone expenditure		(50,644)	(56,763)
Professional fees		(913,514)	(666,871)
Finance costs		(328,351)	(81,236)
Director Fees		(150,367)	(174,204)
Other expenses		(334,628)	(450,440)
Total Expenses		(6,444,403)	(6,867,195)
Loss before income tax		(5,671,250)	(6,136,417)
Income tax expense	5	-	-
Loss for the period		(5,671,250)	(6,136,417)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations		(856)	10,895
Other comprehensive income for the period		(856)	10,895
Total comprehensive loss for the period		(5,672,106)	(6,125,522)
Earnings per share			
Basic Loss per share	17	(0.05)	(0.06)
Diluted Loss per share	17	(0.05)	(0.06)

This statement should be read in conjunction with the notes to the financial statements.

DOMACOM LIMITED
ABN 69 604 384 885

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 $	2017 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	803,421	2,705,481
Receivables	7	654,509	1,075,114
Prepayments and other assets		103,374	158,560
TOTAL CURRENT ASSETS		1,561,304	3,939,155
NON-CURRENT ASSETS			
Property, plant and equipment	8	11,506	32,378
Intangible assets	9	2,370,513	2,666,089
TOTAL NON-CURRENT ASSETS		2,382,019	2,698,467
TOTAL ASSETS		3,943,323	6,637,622
LIABILITIES			
CURRENT LIABILITIES			
Payables	10	414,569	560,418
Provisions	11	232,339	142,033
Other financial liabilities	12	255,476	-
Borrowings	14	822,412	-
TOTAL CURRENT LIABILITIES		1,724,796	702,451
NON-CURRENT LIABILITIES			
Provisions	11	62,247	54,800
Borrowings	14	732,371	-
TOTAL NON-CURRENT LIABILITIES		794,618	54,800
TOTAL LIABILITIES		2,519,414	757,251
NET ASSETS		1,423,909	5,880,371
EQUITY			
Issued Capital	15	24,382,924	23,754,418
Reserves	16	1,363,076	776,794
Accumulated Losses		(24,322,091)	(18,650,841)
TOTAL EQUITY		1,423,909	5,880,371

This statement should be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Issued Capital	Reserves	Accumulated Losses	Total
2018	**$**	**$**	**$**	**$**
Opening balance at 1 July 2017	23,754,418	776,794	(18,650,841)	5,880,371
Issue of share capital	628,506	-	-	628,506
Issue of convertible notes	-	76,971	-	76,971
Issue of options		482,295		482,295
Share based payments	-	27,872	-	27,872
Transactions with owners recorded directly in equity	24,382,924	1,363,932	(18,650,841)	7,096,015
Loss for the period to 30 June 2018	-	-	(5,671,250)	(5,671,250)
Other comprehensive income	-	(856)		(856)
Balance at 30 June 2018	24,382,924	1,363,076	(24,322,091)	1,423,909

	Issued Capital	Reserves	Accumulated Losses	Total
2017	**$**	**$**	**$**	**$**
Opening balance at 1 July 2016	16,791,037	945,120	(12,514,424)	5,221,733
Issue of share capital	6,963,381	-	-	6,963,381
Share based payments	-	(179,221)	-	(179,221)
Transactions with owners recorded directly in equity	23,754,418	765,899	(12,514,424)	12,005,893
Loss for the period to 30 June 2017	-	-	(6,136,417)	(6,136,417)
Other comprehensive income	-	10,895	-	10,895
Balance at 30 June 2017	23,754,418	776,794	(18,650,841)	5,880,371

This statement should be read in conjunction with the notes to the financial statements.

DOMACOM LIMITED
ABN 69 604 384 885

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		161,476	74,550
Payments to suppliers and employees		(4,976,674)	(5,687,616)
Research and development tax offset received		952,925	1,276,823
Finance costs		(28,078)	(81,236)
Net cash used in operating activities	18	(3,890,351)	(4,417,479)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire other assets		-	(12,040)
Proceeds from sale of financial assets		12,040	-
Payments for plant and equipment		(1,090)	(7,305)
Payments for intangible assets		(616,126)	(881,778)
Interest Received		15,362	56,357
Net cash used in investing activities		(589,814)	(844,766)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		150,000	6,227,809
Proceeds from issue of convertible notes		2,003,961	-
Repayment of convertible notes		(105,000)	-
Proceeds from short term loans		530,000	700,000
Repayment of short term loans		-	(700,000)
Net cash provided by financing activities		2,578,961	6,227,809
Net increase in cash and cash equivalents		(1,901,204)	965,564
Cash and cash equivalents at the beginning of period		2,705,481	1,746,197
Net foreign exchange difference		(856)	(6,280)
Cash and cash equivalents at the end of period	6	803,421	2,705,481

This statement should be read in conjunction with the notes to the financial statements.

NOTE 1: GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

The financial report includes the financial statements and notes of DomaCom Limited (the “Company”) and its Controlled Entities (the “Group”).

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). DomaCom Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements for the year ended 30 June 2018 were approved and authorised for issue by the Board of Directors on 30 August 2018.

NOTE 2: ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT BEEN ADOPTED EARLY BY THE GROUP

The following standards and interpretations have been recently issued or amended but are not yet effective, and have not been early adopted by the Group for the year ended 30 June 2018.

<u>AASB 9 Financial Instruments (December 2014)</u>

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking ‘expected loss’ impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on: (i) the objective of the entity’s business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a ‘fair value through other comprehensive income’ measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

NOTE 2: ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT BEEN ADOPTED EARLY BY THE GROUP (CONTINUED)

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:
• classification and measurement of financial liabilities; and
• derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

There will be no material impact on the transactions and balances recognised in the financial statements.

<u>AASB 15 Revenue from Contracts with Customers</u>

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations: AASB 15

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

When this standard is first adopted for the year ending 30 June 2019, based on detailed analysis there will be no material impact on the transactions and balances recognised in the financial statements.

<u>AASB 16 Leases</u>

AASB 16 replaces AASB 117 Leases and some lease-related Interpretations. AASB 16

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

Based on a detailed assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements for leases greater than 12 months, in particular:

- lease assets and financial liabilities on the balance sheet will increase respectively (based on the facts at the date of the assessment)
- there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES

(a) Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

Segmental Reporting
Financial information reported internally used for the allocation of resources and assessing performance is currently presented without reference to segments. Therefore profit and loss, revenues and expenses and assets and liabilities have been presented without segmentation.

(b) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2018. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group Companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of Subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the Parent and the non-controlling interests based on their respective ownership interests.

(c) Business Combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred; (b) the recognised amount of any non-controlling interest in the acquiree; and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation

Functional and presentation currency
The consolidated financial statements are presented in Australian Dollars ($AUD), which is also the functional currency of the Parent Company.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations
In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the $AUD are translated into $AUD upon consolidation. The functional currency of the Entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into $AUD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into $AUD at the closing rate. Income and expenses have been translated into $AUD at the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

(e) Revenue

Revenue arises from the investment management services provided to the DomaCom Fund and recognised on an accruals basis. Interest income and expense are reported on an accruals basis.

The DomaCom Group may be entitled to claim a refundable tax credit for eligible research and development expenditure (eg the Research and Development Tax Incentive regime in Australia or other investment allowances). The DomaCom Group accounts for a claim as an offset against eligible capitalised R&D expenditure. To the extent the claim relates to costs that were expensed as they did not meet the capitalisation criteria under AASB 138 Intangible Assets, this amount is recognised as Other Income.

(f) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets

Recognition of other intangible assets

Acquired intangible assets

Acquired computer software is capitalised on the basis of the costs incurred to acquire and install the specific software.

Internally developed intangibles

Expenditure on the research phase of projects to develop the software platform is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the asset
- the software will generate probable future economic benefits

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Subsequent measurement

All intangible assets, including the internally developed software platform, are accounted for using the cost model whereby capitalised costs are amortised on a systematic basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. Any capitalised internally developed asset that is not yet complete is not amortised but is subject to impairment testing. The following useful lives are applied:

- Software: 5 years
- Software platform costs: 5 years (see note 3s)

The DomaCom Group may be entitled to claim a refundable tax credit for eligible research and development expenditure (eg the Research and Development Tax Incentive regime in Australia or other investment allowances). The DomaCom Group accounts for a claim as an offset against eligible capitalised R&D expenditure to the extent the claim relates to capitalised expenditure.

Subsequent expenditures on the maintenance of computer software and the software platform will be expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

Plant and equipment is initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Plant and equipment is subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of plant and equipment. The following useful lives are applied:

- Furniture & fittings: 5 years
- Plant & office equipment: 5 years
- Computer equipment: 3 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

(i) Leased assets

Operating leases

Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(j) Impairment testing of intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.
A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in Companies, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified company.

Classification and subsequent measurement of financial liabilities

The Group’s financial liabilities include trade and other payables, and related party loans

Financial Liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method.
All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Compound Instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument’s maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to issued capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits/ accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(k) Financial Instruments (continued)

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

(l) Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(n) Equity, reserves and dividend payments

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Retained earnings includes all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

All transactions with owners of the parent are recorded separately within equity.

(o) Employee benefits

Short-term employee benefits

Short-term employee benefits, including annual leave entitlement, are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Share-based payments

Share-based compensation benefits are provided to employees via the Group or Shareholders for no cash consideration.

The fair value of shares granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares.

(p) Provisions, contingent liabilities and contingent assets

Provisions for legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

(r) Going Concern

As a developing business the Group has experienced a loss of $5,671,250. The Group has effective net working capital of $384,396 after adjusting for the current liabilities relating to the Convertible Securities and their embedded derivatives set out in Notes 12 and 14 that are repayable in shares at the option of DomaCom.

The continuing viability of the Group and its ability to continue as a going concern is dependent upon the Group being successful in continuing to grow Funds under Management (“FUM”) within the DomaCom Fund and the ability to raise capital. A detailed sales pipeline and forecast is continuously updated and reported to the Board on a regular basis. The strategy for continued growth includes further expanding the direct to consumer distribution channel that will work alongside DomaCom’s established financial adviser network. DomaCom has now developed the ability to introduce leverage into investments which will be a significant driver in FUM growth. In addition DomaCom is focused on providing investment opportunities within the themes of regional investment, affordable housing and renewable energy. These opportunities are constantly monitored within the sales pipeline review process.

Cash flow forecasts are presented and discussed by the Board on a monthly basis. These include the forecast receipt of R&D tax claims ($558,324 expected to be received for the year ended 30 June 2018). In addition to the forecast growth in management fees from increased FUM and the R&D tax claim, DomaCom intends to raise additional capital as required.

If these matters are not achieved, there may be significant uncertainty as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report. The Directors believe that the Group will be able to access sufficient sources of funds and implement cost control measures if required and are satisfied that the Group will continue as a going concern. The Group has shown the ability to raise capital during the current year. Accordingly, the financial report has been prepared on a going concern basis. No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

(s) Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgments

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(s) Significant management judgement in applying accounting policies and estimation uncertainty (continued)

Capitalisation of internally developed software platform

Distinguishing the research and development phases of the internally developed software platform and determining whether the recognition requirements for the capitalisation of development costs are met requires judgment. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Useful economic life of internally developed software platform

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of software. During the year management determined that the useful life of the internally developed software remains unchanged from the prior year.

Fair value of derivatives and other financial instruments

As described in Note 3(k) and Note 24, management uses its judgement in selecting the appropriate valuation technique for financial instruments that are not quoted in an active market. Valuation techniques commonly used by market participants are applied. For derivative financial instruments, assumptions are based on quoted market rates adjusted for specific features of the instrument.

As disclosed in Note 12 and Note 14, as at 30 June 2018 the carrying value of convertible notes and other securities including related derivatives were:

Convertible Note - $548,540 (2017: $nil)

<u>Convertible Security (January 2018)</u>
Convertible Security – $283,746 (2017: $nil)
Embedded derivative liability with the following features: DomaCom option to repay security in shares, Lind option to have securities repaid in shares & DomaCom’s option to have securities repaid early $85,686 (2017: $nil)

<u>Convertible Security (June 2018)</u>
Convertible Security – $192,497 (2017: $nil)
Embedded derivative liability with the following features: DomaCom option to repay security in shares, Lind option to have securities repaid in shares & DomaCom’s option to have securities repaid early $169,790 (2017: $nil)

The accounting for and valuation of the convertible securities is complex due to significant judgement involved in:

- Determining the appropriate accounting treatment; and
- Inputs into the fair value calculators of the embedded derivatives, including the volatility of the underlying share price.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group’s future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions. No deferred tax assets were recognized due to uncertainty of recoverability.

NOTE 4: REVENUE & OTHER INCOME

	2018 $	2017 $
Management Fees	142,981	93,045
Income recognised from research and development incentive	290,309	581,377
Interest Income	15,362	56,356
Fair value gains and losses on derivatives	324,501	-
	773,153	730,778

Fees earned for investment management services provided to the DomaCom Fund are calculated based on fixed percentages applied to the Funds Under Management.

The DomaCom Group claims refundable tax credits for eligible research and development expenditure. The DomaCom Group accounts for a claim partially as an offset against eligible capitalised R&D expenditure. Income recognised from research and development incentive represents the amount of the claim that does not meet the criteria for offset to the extent that it has been received for expenses that did not meet the capitalisation criteria under AASB 138 Intangible Assets.

NOTE 5: INCOME TAX EXPENSE

	Note	2018 $	2017 $
Prima facie tax on loss before income tax		(5,671,250)	(6,136,417)
Prima facie tax on loss before income tax at 27.5% (2017: 27.5%)		1,559,594	1,687,515
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Non-deductible research and development expenses		169,433	234,887
Non-assessable research & development income		79,835	159,879
Other non-deductible expenses		(142,613)	(58,467)
Research and development tax grant received		(352,963)	(602,424)
Effect of different tax rate of subsidiaries operating in other jurisdiction (17%)		(4,050)	(23,375)
Unused tax losses not recognised as DTAs		(1,161,857)	(1,397,034)
Tax offsets not recognised for deferred tax		(147,379)	(980)
Income tax expense		-	-
Components of tax expense			
Temporary differences		-	-
		-	-

NOTE 5: INCOME TAX EXPENSE (CONTINUED)

Deferred taxes arising from temporary differences and unused tax losses calculated at a tax rate of 27.5% (2017: 27.5%) disclosed in the table below have not been recognised due to uncertainty over future taxable profits in the consolidated tax group.

	Note	2018 $	2017 $
Deferred tax assets not recognised at the reporting date:			
Unused tax losses at 27.5% (2017: 27.5%)		5,009,848	3,920,461
Equity raising and company restructure costs		248,886	128,467
Accruals & Provisions		101,416	74,456
		5,360,150	4,123,384
Tax Losses and deductible temporary differences for which no deferred tax asset has been recognised			
Unused tax losses		19,900,767	14,257,484
Equity raising and company restructure costs		905,040	467,153
Accruals & Provisions		368,784	270,748
		21,174,591	14,995,385

NOTE 6: CASH AND CASH EQUIVALENTS

Cash at bank	199,767	35,596
Cash on deposit	603,654	2,669,885
	803,421	2,705,481

Cash and cash equivalents carries a weighted average effective interest rate of 1.5% (2017: 1.5%).

NOTE 7: RECEIVABLES

CURRENT		
Amount receivable from R&D taxation rebate	558,324	952,925
Amount receivable from related party	14,798	2,805
Other debtors	81,387	119,384
	654,509	1,075,114

Receivables are non-interest bearing. There are no receivables where the fair value would be materially different from the current carrying value.

The amount receivable from R&D taxation rebate has been pledged as part security for Short Term Loans (see Note 14).

The Group reviews all receivables for impairment. Any receivables which are doubtful have been provided for. There are no receivables past due at the reporting date. No receivables have been provided for at the reporting date.

NOTE 8: PLANT AND EQUIPMENT

	Furniture & fittings	Plant and office equipment	Computer Equipment	Total
	$	$	$	$
Year ended 30 June 2018				
Opening net book amount	387	440	31,551	32,378
Additions	-	-	1,090	1,090
Depreciation charge	(387)	(289)	(21,286)	(21,962)
Closing net book value	-	151	11,355	11,506
At 30 June 2018				
Cost	9,677	3,633	68,064	81,374
Accumulated depreciation	(9,677)	(3,482)	(56,709)	(69,868)
Net book value	-	151	11,355	11,506
Year ended 30 June 2017				
Opening net book amount	2,322	1,600	47,534	51,456
Additions	-	-	7,305	7,305
Disposal	-	(318)	(1,936)	(2,254)
Depreciation charge	(1,935)	(821)	(21,352)	(24,108)
Net exchange differences	-	(21)	-	(21)
Closing net book value	387	440	31,551	32,378
At 30 June 2017				
Cost	9,677	3,633	66,974	80,284
Accumulated depreciation	(9,290)	(3,193)	(35,423)	(47,906)
Net book value	387	440	31,551	32,378

NOTE 9: INTANGIBLE ASSETS

	Software platform	Computer software	Total
	$	$	$
Year ended 30 June 2018			
Opening net book amount at 1 July 2017	2,604,015	62,074	2,666,089
Amounts capitalised and additions	348,111	-	348,111
Amortisation	(617,422)	(26,265)	(643,687)
Closing net book value at 30 June 2018	2,334,704	35,809	2,370,513
At 30 June 2018			
Cost	3,831,940	130,057	3,961,997
Accumulated depreciation	(1,497,236)	(94,248)	(1,591,484)
Net book value	2,334,704	35,809	2,370,513
Year ended 30 June 2017			
Opening net book amount at 1 July 2016	2,730,532	64,809	2,795,341
Amounts capitalised and additions	482,585	27,645	510,230
Amortisation	(609,102)	(30,380)	(639,482)
Closing net book value at 30 June 2017	2,604,015	62,074	2,666,089
At 30 June 2017			
Cost	3,483,829	130,057	3,613,886
Accumulated depreciation	(879,814)	(67,983)	(947,797)
Net book value	2,604,015	62,074	2,666,089

Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Software platform costs (all internally generated): 5 years
- Computer software 5 years

See Note 3 (s) for management's judgement applied in determining the useful life of intangible assets.

NOTE 10: PAYABLES

	2018	2017
	$	$
CURRENT		
Trade creditors	340,371	486,503
Sundry creditors and other accruals	74,198	73,915
	414,569	560,418

Payables are non-interest bearing.

There are no payables where the fair value would be materially different from the current carrying value.

	2018 $	2017 $

NOTE 11: PROVISIONS

	2018 $	2017 $
CURRENT:		
Employee entitlements	132,339	142,033
Other	100,000	-
	232,339	142,033
NON-CURRENT		
Employee entitlements	62,247	54,800

NOTE 12: OTHER FINANCIAL LIABILITIES

	2018 $	2017 $
		-
Derivative liability - First Convertible Security	85,686	-
Derivative liability - Second Convertible Security	169,790	-
	255,476	-

NOTE 13: EMPLOYEE REMUNERATION

	2018 $	2017 $
Wages, salaries	1,887,535	2,481,672
Pensions - defined contribution plans	180,758	203,670
Share based payments	512,083	203,262
Other employment benefits	101,006	92,377
	2,681,382	2,980,981

The Director Long Term Incentive Plan and Employee Long Term Incentive Plan (LTIP) was established as a retention strategy and an incentive for staff and directors to continue to work hard for the DomaCom Group. Through obtaining equity, staff are motivated to strive to make the DomaCom Group successful as they will ultimately share in the success.

All Directors and eligible employees have been granted performance rights at 5th April 2018. Vesting gives the holder of a Performance Right the right to convert some or all of their Performance Rights into ordinary shares. Each Performance Right entitles its owner to one ordinary share in the Company on conversion. The performance rights expire on 5th April 2021 and may be exercised at any time up to that date.

The performance rights under the employee and non-executive director and executive director programs have an exercise price of $nil.

NOTE 13: EMPLOYEE REMUNERATION (CONTINUED)

Performance rights were granted as follows for the reporting periods presented:

	Employee & director program (issued 2018)	**Employee & non-executive director program (issued 2015)**	**Executive director program (issued 2015)**
	Number of rights	Number of rights	Number of rights
Outstanding at 30 June 2016	-	1,871,596	213,929
Forfeited	-	(42,556)	-
Granted	-	42,556	-
Exercised	-	(764,968)	-
Outstanding at 30 June 2017	-	1,106,628	213,929
Expired	-	-	(213,929)
Granted	5,603,389	-	-
Exercised	(496,260)	(969,699)	-
Outstanding at 30 June 2018	5,107,129	136,929	-

The fair value of performance rights granted under the employee and non-executive director program on 14th December 2015 and granted under the employee and director program on 5th April 2018 was based on the estimated share price at grant date. The following principal assumptions were used in the valuations:

	Employee & director program (issued 2018)	**Employee & non-executive director program (issued 2015)**
Grant date	5 April 2018	14 Dec 2015
Vesting period ends	5 April 2018	30 Nov 2018
Share price at grant date	$0.093	$0.50
Volatility	-	-
Performance right life	Up to 3 years	Up to 3 years
Dividend yield	-	-
Risk free investment rate	-	-
Fair value at grant date	$0.093	$0.50
Exercise price at grant date	$0.00	$0.00
Exercisable from	5 April 2018	Variable
Exercisable to	5 April 2021	30 Nov 2018

In total, $512,083 (2017: $$203,262) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to equity compensation reserve.

NOTE 14: BORROWINGS	2018 $	2017 $
CURRENT		
Short term loans	530,000	-
Convertible Security (January 2018)	196,164	-
Convertible Security (June 2018)	96,248	-
	822,412	-
NON-CURRENT		
Convertible Notes	548,540	-
Convertible Security (January 2018)	87,582	-
Convertible Security (June 2018)	96,249	-
	732,371	-

Short Term Loans

Short Term Loans includes an unsecured loan of $300,000 and a loan of $230,000 secured on the Research & Development tax incentive claim for the year ended 30 June 2018. Both loans are repayable on receipt of the Research & Development tax incentive claim. Interest rates charged over the period of the loans range between 1.25% per month and 10% per quarter.

Convertible Notes

$650,000 was raised through the issue of 650,000 unsecured 3 Year Convertible Notes on 25 January 2018 with an annual coupon of 10% payable quarterly in arrears. The holder of each note has the right to convert into one share at a conversion price of $0.20 up to 25 January 2021.

Convertible Securities issued to The Australian Special Opportunity Fund

DomaCom Limited entered into a Convertible Security Funding Agreement (“Agreement”) to raise initially $1,000,000 in funds through the issue of a First Convertible Security to the Australian Special Opportunity Fund, LP, a New York-based institutional investor managed by The Lind Partners, LLC (together, “Lind”). The Execution Date was 15 January 2018 and the First Closing Date was 24 January 2018.

The Agreement provided for DomaCom to request up to an additional A$500,000 during the Term of the Agreement through the issue of a Second Convertible Security. This was taken up with a Second Closing Date of 15 June 2018.

DomaCom issued Lind a A$1,200,000 First Convertible Security that will be repayable over 24 months with an initial repayment holiday of 120 days. DomaCom will make 20 monthly repayments of a notional amount of $60,000 in either shares or cash (at DomaCom’s option).

DomaCom issued Lind a A$600,000 Second Convertible Security that will be repayable over 24 months with no repayment holiday. DomaCom will make 24 monthly repayments of a notional amount of $25,000 in either shares or cash (at DomaCom’s option).

The monthly repayment amount in shares will be determined using 90% of the average of 3 daily VWAPs as selected by Lind during the 20 business days preceding the monthly repayment. The cash repayment amount will be at a premium of 5% on the notional amount.

NOTE 14: BORROWINGS (CONTINUED)

Lind has the right to have the First Security and Second Security repaid early at any time during the Term by converting the Outstanding Amounts into DomaCom shares based on a Conversion Price per share equal to 130% of the average of the 5 daily VWAP selected by Lind during the 20 trading days prior to the execution of the agreement for the First Convertible (equal to A$0.127) and 130% of the average of the 5 daily VWAP selected by Lind during the 20 trading days prior to the Second Closing for the Second Convertible Security).

DomaCom has the right to prepay the remaining balance of the First Convertible Security and Second Convertible Security at any time. If this occurs Lind can request that up to 30% of the Face Value be repaid in shares at a price determined by Lind equal to either the 130% of the average of the 5 daily VWAP selected by Lind during the 20 trading days prior to the agreement being executed or 90% of the average of 3 daily VWAPs as selected by Lind during the 20 trading days prior to notice of repayment. Subject to the option of Lind to request part repayment in Shares, the Amount Outstanding will be repaid in Cash with a premium of 5%.

DomaCom paid Lind a First Commitment Fee of A$50,000 and issued Lind 3.7 million options to purchase ordinary shares in DomaCom with an exercise price equal to the average daily VWAP during the 20 trading days prior to the execution of the agreement (A$0.114) with an expiry date of 36 months after the date of issue (24 January 2021).

DomaCom paid Lind a Second Commitment Fee of A$25,000 and issued Lind 1.85 million options to purchase ordinary shares in DomaCom with an exercise price equal to the average daily VWAP during the 20 trading days prior to the Second Closing Date (A$0.065) with an expiry date of 36 months after the date of issue (15 June 2021).

The Agreement included the issue of 2 million DomaCom shares as Collateral Shares initially issued at $0.00 that will be paid for at a price equal to 90% of the average of 3 daily VWAPs per Share during the Collateral Pricing Period as set out in the Agreement.

A limit on the number of Shares was included as a separate additional agreement. The maximum number of Shares that may be issued to service the repayments or be converted under the terms of the Agreement without obtaining shareholder approval is 6 million shares (in addition to the Collateral Shares and any Shares issued in respect of the Options).

To account for the Agreement in accordance with Australian Accounting Standards, the Company has recognised liabilities of $283,746 and $192,497 for the debt instruments (split between current and non-current), derivative net current liabilities of $255,476 (refer Note 12) and an equity instrument of $482,295 recognised in equity.

NOTE 15: ISSUED CAPITAL	**2018 $**	**2017 $**
Ordinary shares fully paid	24,382,924	23,754,418

Ordinary shares	**No.**	**$**
2018		
Opening balance	111,471,240	23,754,418
Ordinary shares fully paid issued during the period	5,132,625	634,211
Share issue cost	-	(5,705)
Closing balance as at 30 June 2018	116,603,865	24,382,924
2017		
Opening balance	100,795,641	16,791,037
Ordinary shares fully paid issued during the period	10,675,599	7,710,024
Share issue cost	-	(746,643)
Closing balance as at 30 June 2017	111,471,240	23,754,418

The amount of franking credits available for subsequent reporting periods are:

Deferred debit balance of franking account at the beginning of the reporting period	4,697,712	3,744,787
Deferred debit that will arise from the receipt of the R&D tax offset for the current year	558,324	952,925
Balance of franking account adjusted for deferred debits arising from past R&D offsets received and expected R&D tax offset to be received for the current year	5,256,036	4,697,712

The Group has the capital management objective of ensuring the Group's ability to continue as a going concern.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares.

NOTE 16: RESERVES

	2018 $	2017 $
Share based payment reserve	249,600	249,600
Equity Compensation Reserve	543,428	515,556
Equity 3 year Convertible Note	76,971	-
Equity Option Reserve	482,295	-
Foreign Currency Translation Reserve	10,782	11,638
	1,363,076	776,794

2018	Share based payment reserve ($)	Equity Compensation Reserve ($)	Convertible Note Equity Reserve ($)	Equity Option Reserve ($)	Foreign Currency Translation Reserve ($)
Opening balance	249,600	515,556	-	-	11,638
Recognition of performance rights issued during the period	-	521,115	-	-	-
Expired performance rights issued in prior periods		(9,033)	-	-	-
Exercise of performance rights	-	(484,210)	-	-	-
Issue of convertible note	-	-	76,971	-	-
Issue of options with Lind Notes	-	-	-	482,295	-
Translation of foreign operation net assets and results	-	-	-	-	(856)
Closing balance	249,600	543,428	76,971	482,295	10,782

2017	Share based payment reserve ($)	Equity Compensation Reserve ($)	Convertible Note Equity Reserve ($)	Equity Option Reserve ($)	Foreign Currency Translation Reserve ($)
Opening balance	249,600	694,777	-	-	743
Recognition of performance rights issued in prior periods	-	203,262	-	-	-
Exercise of performance rights	-	(382,483)	-	-	-
Translation of foreign operation net assets and results	-	-	-	-	10,895
Closing balance	249,600	515,556	-	-	11,638

Share based payment reserve is used to recognise the grant date fair value of shares issued to employees by the Group or Shareholders. The equity compensation reserve represents amounts expensed over the vesting period for performance rights issues to staff and directors. The convertible note equity reserve is used to recognise the equity portion of compound instruments as set out in Note 3(k). The equity option reserve is used to record the equity element of options issued. Exchange differences relating to the translation of results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised in other comprehensive income and accumulated in the foreign currency reserve.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 17: EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company (DomaCom Limited) as the numerator (i.e. no adjustments to profit were necessary in 2018 or 2017). The weighted average number of shares used in the calculation of the earnings per share is as follows:

	2018	2017
Amounts in thousands of shares:		
- weighted average number of shares used in the basic earnings per share	113,450	107,959

NOTE 18: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES	**$**	**$**
Loss for the period	(5,671,250)	(6,136,417)
Adjustments for:		
Depreciation and amortisation	665,650	663,589
Share based payments	512,083	203,262
Net interest received included in investing and financing	(80,503)	(56,356)
Expense recognised in respect of shares issued	-	353,087
Research & development grant offset against intangible assets	268,015	371,548
Net foreign exchange (gain)/loss	-	17,197
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	463,752	288,572
Increase/(decrease) in trade payable and accruals	(145,852)	(82,790)
Increase/(decrease) in employee provisions	97,754	(39,171)
Net cash used by operating activities	(3,890,351)	(4,417,479)

NOTE 19: AUDITOR REMUNERATION

Audit and review of financial statements		
Auditors of DomaCom Limited - Grant Thornton Australia	67,000	58,750
Overseas Grant Thornton network firms	11,856	8,142
Remuneration from audit and review of financial statements	78,856	66,892
Other Services		
Auditors of DomaCom Limited - Grant Thornton Australia		
- taxation compliance	10,000	9,460
- other	4,962	1,380
- investigating accountants report	-	21,670
Total other service remuneration	14,962	32,510
Total auditor's remuneration	93,818	99,402

NOTE 20 RELATED PARTY TRANSACTIONS

	2018 $	2017 $
Key management personnel compensation		
Salaries	516,639	594,739
Total short term employee benefits	516,639	594,739
Long service leave	9,625	5,037
Total other long-term benefits	9,625	5,037
Pensions - defined contribution plans	49,081	56,501
Total post-employment benefits	49,081	56,501
Share based payments	147,075	10,639
Total remuneration	722,420	666,916

The term of the share based payments in the form of performance rights are set out in Note 13. Key management personnel are employees of DomaCom Australia Limited, a controlled entity of the Company.

Transactions between the Group and its related parties

During the financial year ended 30 June 2018, the following transactions occurred between the Group and its other related parties:

DomaCom Australia Limited, a controlled entity of the Company, received management fees for managing the DomaCom Fund. Management fees recognised during the financial year were $142,981 (2017: $93,045).

DomaCom Australia Limited held cash in the DomaCom Fund. Interest earned during the financial year was $13,165 (2017: $35,530). At 30 June 2018, cash held in the DomaCom Fund amounted to $563,654 (2017: $2,629,885).

DomaCom Australia had an unsecured receivable balance with the DomaCom Fund of $14,798 (2017: $2,805) representing upfront sub-fund set-up costs to be subsequently reimbursed by the DomaCom Fund.

NOTE 21: CONTINGENT LIABILITIES

There are no contingent liabilities at the end of the period.

NOTE 22: COMMITMENTS

	$	$
Operating lease commitments:		
No later than 12 months	133,173	211,357
Between 12 months and 5 years	11,142	17,678
Greater than 5 years	-	-
Minimum lease payments	144,315	229,035

Operating leases entered into by the Group relate to its office rental obligations (Melbourne and Sydney offices).

NOTE 23: INTERESTS IN SUBSIDIARIES

Name of Subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group
DomaCom Australia Limited	Australia	Provision of Investment Management Services and development of platform to fractionalise assets	100%
DomaCom Singapore Private Limited	Singapore	Sales and marketing of fractionalised asset product	100%
DomaCom Platform Services Pty Ltd	Australia	Development of platform to fractionalise assets	100%
DomaCom Loan Pty Ltd	Australia	Trustee for DomaCom Loan Fund	100%

NOTE 24: FINANCIAL INSTRUMENTS

	2018 $	2017 $
Categories of financial instruments		
Financial Assets		
Cash and cash equivalents	803,421	2,705,481
Trade and other receivables #	654,509	1,075,114
	1,457,930	3,780,595
Financial Liabilities		
Trade and other payables #	340,371	486,503
Derivative financial instruments	255,476	-
Current Borrowings	822,412	-
Non-Current borrowings	732,371	-
	2,150,630	486,503

Carried at amortised cost and repayable within 6 months

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised above. The main types of risks are liquidity risk, credit risk and market risk.

The Company's risk management is coordinated through the Chief Compliance and Risk Officer, in close cooperation with the Board of Directors (the "Board") and the Chief Financial Officer.

Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring forecast cash inflows and outflows due in day-to-day business. Net cash requirements are compared to available cash in order to maintain a cash surplus. Funding for long-term liquidity needs sourced through additional capital raising.

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk analysis (continued)

The Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Within 6 months ($)	6-12 months ($)	1-5 years ($)
30 June 2018			
Trade payable and other payables	340,371	-	-
Short term loans	530,000	-	-
Convertible Notes	-	-	650,000
Convertible Security (January 2018)	378,000	378,000	399,000
Convertible Security (June 2018)	157,500	157,500	315,000
30 June 2017			
Trade payable and other payables	486,503	-	-

Credit Risk Analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised in Note 7.

The Group continuously monitors defaults of customers and other counterparties, identified either by individual or group and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Market risk analysis

The Group is exposed to market risk through currency and interest rate risk.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those translated into $AUD at the closing rate:

Foreign Currency Sensitivity	**2018 $**	**2017 $**
SGD		
Financial assets	1,678	3,110
Financial liabilities	-	-
Total Exposure	1,678	3,110

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

Market risk analysis (continued)

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the $SGD/$AUD exchange rate 'all other things being equal'. It includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a change in foreign currency rates. It assumes a +/- 10% change of the $SGD/$AUD exchange rate for the year ended at 30 June 2018 (2017: 10%).

If the $SGD had strengthened against the $AUD by 10% (2017: 10%) this would have had the following impact through a decrease in the Foreign Currency Translation Reserve:

	2018 $	2017 $
Equity	153	283

For a 10% weakening of $SGD against $AUD there would be a comparable increase in the Foreign Currency Translation Reserve.

Interest Rate Sensitivity

The Company's policy is to minimise interest rate risk exposures. Interest income is earned on deposits held. The rate is reviewed on a regular basis to ensure it remains in line with the expected rate of return. Interest expense incurred on any short term borrowings is assessed to ensure it is in line with market expectations. The Company's policy is not to enter into any long term borrowing.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2017: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Interest Rate Sensitivity

	Loss for the period $ +1%	Loss for the period $ -1%
30 June 2018	(12,606)	12,606
30 June 2017	(34,373)	34,373

Fair value Measurements

This note provides information about how the Group determines fair values of financial assets and financial liabilities.

<u>Fair value of the Groups financial assets and financial liabilities that are measured at fair value on a recurring basis</u>

Some of the Consolidated Entity's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

Fair value Measurements (continued)

Financial assets/(liabilities)	Fair value 30 June 2018	Fair value 30 June 2017	Fair value hierarchy	Valuation technique(s) and key input(s)
Embedded derivative liability with the following features: DomaCom option to repay security in shares, Lind option to have securities repaid in shares & DomaCom's option to have securities repaid early - First Convertible Security	(85,686)	-	Level 2	Black Scholes and Monte Carlo pricing models, using observable share price, observable risk free rate and observable share price volatility
Embedded derivative liability with the following features: DomaCom option to repay security in shares, Lind option to have securities repaid in shares & DomaCom's option to have securities repaid early - Second Convertible Security	(169,790)	-	Level 2	Black Scholes and Monte Carlo pricing models, using observable share price, observable risk free rate and observable share price volatility

NOTE 25: PARENT ENTITY INFORMATION

	2018	2017
	$	$
Current Assets	558,324	952,925
Total Assets	3,250,373	5,880,371
Current Liabilities	838,617	-
Total Liabilities	1,826,464	-
Net Assets	1,423,909	5,880,371
Issued Capital	24,382,924	23,754,418
Share based payment reserve	249,600	249,600
Equity compensation reserve	543,428	515,556
Convertible note equity reserve	76,971	-
Equity option reserve	482,295	-
Retained earnings	(18,639,203)	(12,513,681)
Current earnings	(5,672,106)	(6,125,522)
Total Equity	1,423,909	5,880,371

NOTE 26: SUBSEQUENT EVENTS

Subsequent to balance date and prior to the issuing of this report, the following events have occurred:

- The Group's Research and Development tax incentive claim has been registered with AusIndustry and an amount of $558,324 will be claimed.

There have been no other events subsequent to period end that require disclosure.

DOMACOM LIMITED
ABN 69 604 384 885

DIRECTORS' DECLARATION

In the opinion of the directors of DomaCom Limited

a the consolidated financial statements and notes of DomaCom Limited are in accordance with the *Corporations Act 2001*, including:

i giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the financial period ended on that date; and

ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

b there are reasonable grounds to believe that DomaCom Limited will be able to pay its debts as and when they become due and payable, and

c DomaCom Limited has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Grahame D Evans
Chairman

Arthur Naoumidis
Director

30 August 2018

Grant Thornton

Collins Square, Tower 1
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of DomaCom Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of DomaCom Limited (the Company) and its Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' report.

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

a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its 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 in accordance with 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 3(r) in the financial statements, which indicates that the Group incurred a net loss of $5,671,250 during the year ended 30 June 2018, and as of that date, the Group's net working capital deficiency was $163,492. As stated in Note 3(r), these events or conditions indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Grant Thornton

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial report of the current period. These matters were addressed in the context of our audit of the consolidated financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Recognition of research and development (R&D) tax incentive (Note 4)	
The Group receives a 43.5% refundable tax offset (2017: 43.5%) of eligible expenditure under the research and development (R&D) tax incentive scheme. An R&D plan is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash. Management perform a detailed review of the Group's total research and development expenditure to determine the potential claim under the R&D tax incentive legislation. The Group recognises R&D tax incentive rebate income on an accruals basis, meaning that a receivable is recorded at the balance date based on the estimated claim that is yet to be received from the Australian Taxation Office. The receivable at year end for the incentive was $558,324. This represents an estimated claim for the period 1 July 2017 to 30 June 2018. The R&D tax incentive scheme represent the highest level of income and asset in the 2018 financial report. This area is a key audit matter due to the size of the accrual and because there is a degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.	Our procedures included, amongst others: • obtaining the R&D incentive calculations prepared by management and engaging an internal R&D Tax Expert to assist the engagement team in assessing the reasonableness of the estimate; • comparing the nature of the R&D expenditure included in the current year estimate to the prior year approved claim; • comparing the estimates made in previous years to the amount of cash actually received after lodgement of the R&D tax claim; • considering the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria; • assessing the eligible expenditure used to calculate the estimate to ensure it is in accordance with expenditure recorded in the general ledger; • agreeing a sample of individual expenditure items included in the estimate to underlying supporting documentation to ensure that they have been appropriately recognised in the accounting records and that they are eligible expenditures; • inspecting copies of relevant correspondence with AusIndustry and the ATO related to the claims; and • assessing the adequacy of the relevant disclosures in the financial statements.

Capitalisation of Software development costs	
The Group capitalises costs that are directly attributable to the development of intangibles assets in accordance with AASB 138 *Intangible Assets*. AASB 138 provides that an entity may only capitalise costs that meet specific capitalisation criteria. This area is a key audit matter due to the inherent subjectivity required in determining whether the costs capitalised meet the requirements of AASB 138 *Intangible Assets.*	Our procedures included, amongst others: • enquiring with management to obtain and document an understanding of their process and the design of controls relating to the capitalisation of software development costs and their compliance with AASB 138; • evaluating the entity's position that the underlying assets is in the development phase, as well as the entity's ability to demonstrate technical feasibility, that the asset will generate probable future economic benefits, the ability to bring the asset to completion for use or sale, amongst other requirements of AASB 138; • obtaining supporting workings and on a sample basis, agreeing internal salary costs and other costs capitalised to supporting documentation; • assessing the eligibility of expenditure capitalised for compliance with development recognition requirements under the Accounting Standards; • assessing the allocation of costs between separately identifiable intangible assets; and • comparing to the R&D incentive claim to assess appropriateness of the breakout between capitalised R&D costs and expensed costs, as the period in which the R&D incentive is recognised will be matched to the period of expense.
Intangible asset – Impairment	
Given the nature of the industry in which the Group operates, there is a risk that there could be a material impairment to goodwill and intangible asset balances. *AASB 136 Impairment of Assets* requires that an entity shall assess at the end of each reporting period possible internal or external indicators of impairment. If any indication exists, the entity shall estimate the recoverable amount of the asset. This area is a key audit matter due to the inherent subjectivity required in measuring the recoverable amount.	Our procedures included, amongst others: • obtaining from management their impairment model and supporting information used for key assumptions and assessing management's determination of the Group's Cash Generating Units ("CGU"); • evaluating management's assessed carrying value of the intangible asset calculated based on its expected fair value less cost to sell; and • assessing the adequacy of the relevant disclosures in the financial statements.

Convertible notes & security

As disclosed in Notes 12 and 14, as at 30 June 2018 the carrying value of convertible notes and securities including related derivatives were: • Convertible notes and security: $1,024,783 (2017: nil); and • Derivative liability: $255,476 (2017: nil). The accounting for and the valuation of the convertible securities is complex due to significant judgement involved in: • Determining the appropriate accounting treatment; and • Determining the fair value of each element of the convertible securities including embedded derivatives. This area is a key audit matter due complexities and conditions which may have an impact on the carrying value of the note and how it is presented within the financial statements.	Our procedures included, amongst others: • evaluating management's accounting treatment of the convertible securities; • inspecting management's valuations for the convertible securities, assessing the methodology used for the valuations and testing the mathematical accuracy of the valuations; • involving our valuation specialists and challenging the reasonableness of the assumptions used in the valuation by agreeing key inputs such as maturity, repayment and conversion terms and pricing to the agreement, as well as assessing volatility used in the valuation by reference to historical share price information; and • assessing the adequacy of the relevant disclosures in the financial statements.

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

The Directors are responsible for the other information. The other information comprises the information in the Group's financial report 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 we do not express any form of assurance conclusion thereon.

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.

Directors' Responsibilities for the Financial Report

The Directors of the Group 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's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 17 of the Directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of DomaCom Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group 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.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner - Audit & Assurance

Melbourne, 30 August 2018

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 29 August 2018.

Substantial shareholders

	Number of shares held
ARTHUR NAOUMIDIS & KATHRYN NAOUMIDIS <NAOUMIDIS A/C>	18,252,896

Voting rights

Ordinary Shares: On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Performance Rights: No voting rights.

Distribution of equity security holders

Holdings Ranges	Ordinary Shares	Performance Rights	Options
1-1,000	9	-	-
1,001-5,000	197	-	-
5,001-10,000	129	-	-
10,001-100,000	245	1	-
100,001-9,999,999,999	165	15	1
Totals	**745**	**16**	**1**

Twenty (20) largest shareholders	Number of shares held	% of issued shares
ARTHUR NAOUMIDIS & KATHRYN NAOUMIDIS <NAOUMIDIS A/C>	18,252,896	15.65%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	5,788,466	4.96%
UCAN NOMINEES PTY LTD <COWEN FAMILY A/C>	4,797,445	4.11%
SONENBERG SUPERANNUATION PTY LTD <N SONENBERG SUPER FUND A/C>	4,663,333	4.00%
TAYCO INVESTMENTS PTY LTD	3,158,830	2.71%
MR GRANT RAYMOND SNIBSON & MRS SNIBSON <SNIBSON SUPER FUND A/C>	3,083,333	2.64%
CATHRYN NOLAN & STEPHEN JOYCE <NOLAN JOYCE FAMILY A/C>	3,037,982	2.61%
CITICORP NOMINEES PTY LIMITED	2,904,309	2.49%
GOLFER'S DELIGHT PTY LTD <GRAHAM GEORGE GORMAN S/F A/C>	2,725,000	2.34%
TORONTO COVE PTY LTD <TORONTO COVE SUPER FUND A/C>	2,562,500	2.20%
TRADING PURSUITS PTY LTD	1,717,165	1.47%
ROSS LAIDLAW & SOFIE LAIDLAW	1,625,000	1.39%
MR WARREN GIBSON	1,508,634	1.29%
MCCONNELL SUPERANNUATION PTY LTD	1,313,459	1.13%
NO TAX BILL PTY LTD <ACANTO SUPER FUND A/C>	1,280,000	1.10%
GRAYSON NOMINEES PTY LTD <G R SNIBSON FAMILY A/C>	1,200,000	1.03%
MCCONNELL SUPERANNUATION PTY LTD <MCCONNELL SUPER FUND A/C>	1,186,541	1.02%
PPA PTY LTD <SAMTOD SUPER FUND>	1,166,667	1.00%
KRAM NAMDOT PTY LTD <MASTOD SUPERANNUATION FUND>	1,138,128	0.98%
BOVINGDON RETIREMENT FUND PTY LTD <BOVINGDON RET FUND A/C>	931,826	0.80%
Total Securities of Top 20 Holdings	**64,041,514**	**54.92%**

Unissued equity securities

Number of performance rights issued under the Employee Director programs: 5,244,058.

Number of options issued to the Australian Special Opportunity Fund, LP: 5,550,000

Securities exchange

The Company is listed on the Australian Securities Exchange.

DOMACOM LIMITED
ABN 69 604 384 885
CORPORATE INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 6
99 Queen Street
Melbourne
VIC 3000

Tel: 01300 365 930

DIRECTORS

Grahame D Evans
Arthur Naoumidis
David H Archbold
Graeme A Billings
Peter C Church OAM
Ross A Laidlaw

COMPANY SECRETARY

Philip JR Chard

SHARE REGISTRY

Boardroom Pty Limited
Level 12, 225 George Street
Sydney
NSW 2000

AUDITOR

Grant Thornton
Collins Square
727 Collins Street
Melbourne
VIC 3008