

DomaCom Limited

Annual Report for the  
year ended 30 June 2016

ABN 69 604 384 885

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**DOMACOM LIMITED**  
**ABN 69 604 384 885**

**DIRECTORS' REPORT**  
**30 JUNE 2016**

Your directors present their report on DomaCom Limited (the "Company") and its Controlled Entities (the "Group") for the year ended 30 June 2016.

**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 Grahame D Evans, Mr Ross A Laidlaw and Mr Arthur Naoumidis. Mr Peter C Church was also a director at the date of this financial report after being appointed on 1 August 2015. The name of the company secretary in office at the end of financial 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 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 Centrepont Wealth. He is currently an executive director of GPS Wealth.

**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.

**David H Archbold – 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.

**Graeme A Billings – 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.

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**Peter C Church OAM – 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), Elara Capital PLC and the Singapore international Chamber of Commerce Limited.

**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 and Chief Financial Officer.

**Philip JR Chard – Financial Controller, Company Secretary**

Philip has over 20 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, including senior roles with Bank of Tokyo-Mitsubishi and APN Property Group Limited. 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 2016 were:

	Board of Directors		Audit Committee		Risk Management	
	Held	Attended	Held	Attended	Held	Attended
Mr David H Archbold	12	11	2	2	1	1
Mr Graeme A Billings	12	12	2	2	1	1
Mr Peter C Church*	11	8	-	-	1	1
Mr Grahame D Evans	12	12	-	-	1	1
Mr Ross A Laidlaw	12	11	2	2	1	1
Mr Arthur Naoumidis	12	12	-	-	1	1

\* Appointed 1 August 2015

**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.

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**4. Operating results**

The Group has incurred an operating loss of \$6,060,558.

**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 (formerly known as DomaCom Holdings) was incorporated on 23 February 2015 as a holding company and on 27 March 2015 combined with DomaCom Australia Limited and DomaCom Singapore Private Limited to form the DomaCom Group.

DomaCom Australia Limited, a 100% owned subsidiary, is the investment manager of the DomaCom Fund (Managed Investment Scheme). The Fund is unique in that it allows investors to hold fractional interests in properties, that they themselves or their advisers on their behalf have selected. Their interests are held as separate classes of units or separate sub-funds within a managed investment scheme. The investors receive the specific returns related to that particular sub-fund holding the underlying property. This is very different to a traditional property trust, where the investment manager selects the properties on behalf of the investor and investors receive a blended return from a range of properties. In our platform the adviser and their clients determine which property or properties they wish to invest in which meets their asset allocation and risk profile.

The DomaCom Fund is primarily targeted to advisers, accountants and other intermediaries that are working with clients holding assets in Superannuation and in particular Self-managed Superannuation Funds. This area of the Australian superannuation market is one of the fastest growing areas and now has assets of \$621 billion as at 30 June 2016\*. The total pool of Superannuation assets is now in excess of \$2.1 trillion\*, making Australia one of the largest pension funds in the world.

The Group continues to make solid progress into its primary distribution channel Licensed Financial Advisory firms. The Group has now been approved by over 37 different Licensed Financial Planning groups, which represents over 850 advisers in total, in relation to this the number of advisers we have now accredited is over 365 advisers with a further 170 advisers to be accredited. At the time of writing the DomaCom fund now holds 21 different properties, each held within their own sub-fund on behalf of investors. A further 13 book builds with active bids have been established including the Kidman Property representing the potential for further growth in Funds under Management. In addition to this there are a further 40 book builds currently with no active bids that are just in the process of being marketed.

The Group continues to work on product enhancements to our existing products and one area of note has been the work to allow applications to be completed by the adviser and/or investors online, with a digital signature. This new development has been important particularly as the company has embarked upon the public crowd funding of some high profile assets, such as the Kidman Agricultural property, the largest landholding of cattle farms in Australia representing 100,000 square kilometers and over 150,000 head of cattle. Also we are currently involved in the high profile Channel 9 Block television show and will allow the public to purchase a fractional interest in one or more of the apartments that are currently under construction.

We have also been working on new product developments and in particular our Equity Release product, that is subject to obtaining relief from the Australian Securities and Investment Committee and are also in the process of varying our Australian Financial Services Licence, so that we are able to offer a new product in the form of fractional Corporate Bonds.

\*APRA June 2016 Quarterly Superannuation Performance

**7. Significant Changes in State of Affairs**

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

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**30 JUNE 2016**

**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 was lodged with AusIndustry on 16 September 2016 for an amount of \$1,286,823.
- The Group is currently going through the process of seeking further capital through a listing on the Australian Stock Exchange.

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. Environmental Issues**

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

**11. 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.

**12. Performance Rights**

On 14 December 2015 342,484 performance rights were granted to directors with a \$nil exercise price and an expiry date of 30 November 2018. The performance rights were issued under the programs described in Note 12 to the financial statements. No other options were granted or are outstanding at the date of this report.

**13. 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.

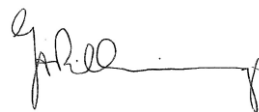
**14. Auditor's Independence Declaration**

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.

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



**Arthur Naoumidis**  
Director  
23 September 2016



**Graeme A Billings**  
Director

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**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 2016, 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



Brad Taylor  
Partner - Audit & Assurance

Melbourne, 23 September 2016

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2016**

		2016	Period from 23 February 2015 to 30 June 2015
	Note	\$	\$
Revenue		20,642	4,363
Other Income	4	888,192	135,779
Interest Income		47,240	4,270
		<u>956,074</u>	<u>144,412</u>
<b>Expenses</b>			
Employee benefits expenses	12	(3,460,943)	(659,122)
Fund administration		(293,601)	(95,986)
Rent		(237,126)	(51,493)
Depreciation		(310,899)	(6,483)
Insurance		(114,437)	(15,765)
Advertising		(1,057,457)	(132,273)
Travel expenses		(214,467)	(40,219)
IT and telephone expenditure		(114,403)	(3,601)
Professional fees		(506,935)	(132,379)
Finance costs		(66,673)	(37,699)
Director Fees		(166,533)	(33,584)
Other expenses		(473,158)	(50,069)
<b>Total Expenses</b>		<u>(7,016,632)</u>	<u>(1,258,673)</u>
<b>Loss before income tax</b>		<u>(6,060,558)</u>	<u>(1,114,261)</u>
Income tax expense	5	-	(8,407)
<b>Loss for the period</b>		<u>(6,060,558)</u>	<u>(1,122,668)</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translating foreign operations		(320)	1,063
<b>Other comprehensive income for the period</b>		<u>(320)</u>	<u>1,063</u>
<b>Total comprehensive loss for the period</b>		<u>(6,060,878)</u>	<u>(1,121,605)</u>

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

**DOMACOM LIMITED**  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	1,746,197	720,935
Receivables	7	1,417,403	951,095
Prepayments and other assets		92,803	98,371
<b>TOTAL CURRENT ASSETS</b>		<u>3,256,403</u>	<u>1,770,401</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	51,456	14,045
Intangible assets	9	2,795,341	2,224,141
<b>TOTAL NON-CURRENT ASSETS</b>		<u>2,846,797</u>	<u>2,238,186</u>
<b>TOTAL ASSETS</b>		<u>6,103,200</u>	<u>4,008,587</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Payables	10	645,464	440,625
Provisions	11	176,315	103,959
Borrowings	13	-	800,000
<b>TOTAL CURRENT LIABILITIES</b>		<u>821,779</u>	<u>1,344,584</u>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	11	59,688	28,771
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>59,688</u>	<u>28,771</u>
<b>TOTAL LIABILITIES</b>		<u>881,467</u>	<u>1,373,355</u>
<b>NET ASSETS</b>		<u>5,221,733</u>	<u>2,635,232</u>
<b>EQUITY</b>			
Issued Capital	14	16,791,037	8,838,435
Reserves	15	945,120	250,663
Accumulated Losses		(12,514,424)	(6,453,866)
<b>TOTAL EQUITY</b>		<u>5,221,733</u>	<u>2,635,232</u>

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

**DOMACOM LIMITED**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

		Period from 23 February 2015 to 30 June 2015
	2016	\$
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	20,642	2,246
Payments to suppliers and employees	(5,670,892)	(1,185,655)
Research and development tax offset received	1,186,197	-
Finance costs	(104,372)	-
Net cash used in operating activities	(4,568,425)	(1,183,409)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant and equipment	(53,765)	(13,869)
Payments for intangible assets	(1,548,615)	(353,938)
Interest Received	47,240	4,270
Net cash used in investing activities	(1,555,140)	(363,537)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from share issue	7,952,702	207,977
Proceeds from short term loans	-	800,000
Repayment of short term loans	(800,000)	-
Net cash provided by financing activities	7,152,702	1,007,977
Net increase in cash and cash equivalents	1,029,037	(538,969)
Cash and cash equivalents at the beginning of period	720,935	-
Cash and cash equivalents at date of group reorganisation	-	1,260,507
Net foreign exchange difference	(3,775)	(603)
<b>Cash and cash equivalents at the end of period</b>	6 1,746,197	720,935

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

**DOMACOM LIMITED**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	<b>Issued Capital</b>	<b>Reserves</b>	<b>Accumulated Losses</b>	<b>Total</b>
<b>2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Opening balance at 1 July 2015</b>	8,838,435	250,663	(5,737,388)	3,351,710
Prior period adjustment (Note 3)			(716,478)	(716,478)
<b>Adjusted opening balance at 1 July 2015</b>	8,838,435	250,663	(6,453,866)	2,635,232
Issue of share capital	7,952,602	-	-	7,952,602
Share based payments	-	694,777	-	694,777
	16,791,037	945,440	(6,453,866)	11,282,611
<b>Transactions with owners recorded directly in equity:</b>				
Loss for the period to 30 June 2016	-	-	(6,060,558)	(6,060,558)
Other comprehensive income	-	(320)	-	(320)
<b>Balance at 30 June 2016</b>	16,791,037	945,120	(12,514,424)	5,221,733

	<b>Issued Capital</b>	<b>Reserves</b>	<b>Accumulated Losses</b>	<b>Total</b>
<b>Period from 23 February 2015 to 30 June 2015</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Opening Balance</b>	-	-	-	-
Business Combination	8,622,050	-	-	8,622,050
Transfer of reserves on business combination	-	249,600	(5,331,198)	(5,081,598)
Issue of share capital	216,385	-	-	216,385
	8,838,435	249,600	(5,331,198)	3,756,837
<b>Transactions with owners recorded directly in equity:</b>				
Loss for the period to 30 June 2015	-	-	(1,122,668)	(1,122,668)
Other comprehensive income	-	1,063	-	1,063
<b>Balance at 30 June 2015</b>	8,838,435	250,663	(6,453,866)	2,635,232

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**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"). DomaCom Limited (formerly known as DomaCom Holdings) was incorporated on 23 February 2015 as a holding company and on 27 March 2015 combined with DomaCom Australia Limited and DomaCom Singapore Private Limited to form 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 2016 were approved and authorised for issue by the Board of Directors on 23<sup>rd</sup> September 2016.

**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 2016.

AASB 9 Financial Instruments (December 2014)

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**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.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 1057 Application of Australian Accounting Standards

In May 2015, the AASB decided to revise Australian Accounting Standards that incorporate IFRSs to minimise Australian-specific wording even further. The AASB noted that IFRSs do not contain application paragraphs that identify the entities and financial reports to which the Standards (and Interpretations) apply. As a result, the AASB decided to move the application paragraphs previously contained in each Australian Accounting Standard (or Interpretation), unchanged, into a new Standard AASB 1057 Application of Australian Accounting Standards.

When this standard is adopted for the year ending 30 June 2017, there will be no impact on the financial statements.

AASB 15 Revenue from Contracts with Customers

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

In May 2015, the AASB issued ED 260 Income of Not-for-Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

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

AASB 16 Leases

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

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to AASB 116 prohibit the use of a revenue based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- 1) The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- 2) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

**DOMACOM LIMITED**  
**ABN 69 604 384 885**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 3: SUMMARY OF ACCOUNTING POLICIES**

**(a) Period of account**

The period of account is for the 12 month period ended 30 June 2016. DomaCom Limited was incorporated on 23 February 2015 as a holding company and on 27 March 2015 combined with DomaCom Australia Limited and DomaCom Singapore Private Limited to form the Group. As such the comparative period of account is for 23 February 2015 to 30 June 2015, including the results of the consolidated subsidiaries from 27 March 2015 to 30 June 2015.

**(b) 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.

**(c) Basis of consolidation**

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2016. 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.

**(d) 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(e) 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.

**(f) 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.

**(g) Operating expenses**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(h) 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: 10 years

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(i) 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.

**(j) 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.

**(k) 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(l) 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.

**(m) 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(m) Income taxes (continued)**

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.

**(n) 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.

**(o) 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.

**(p) 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(q) 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.

**(r) 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.

**(s) Going Concern**

As a developing business the Group has experienced a loss of \$6,060,558. The Group has net working capital of \$2,434,624.

The continuing viability of the Group and its ability to continue as a going concern is dependent upon the Group being successful in its continuing efforts in accessing additional sources of capital.

In particular significant matters considered by the Directors in determining that it is appropriate for the financial report to be prepared on a going concern basis include:

- The Group's Research and Development tax incentive claim was lodged with AusIndustry on 16 September 2016 for an amount of \$1,286,823.
- The Group is currently going through the process of seeking further capital through a listing on the Australian Stock Exchange.

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, accordingly, have prepared the financial report on a going concern basis.

Accordingly, 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(t) 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.

**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 internally developed Fractional Property software should be depreciated and the useful economic life was assessed as 10 years.

**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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 4: CHANGE IN ACCOUNTING POLICY**

	<b>2015</b>	<b>2015</b>
	<b>Previous</b>	<b>Restated</b>
<b>Statement of financial position (extract)</b>	<b>amount</b>	<b>amount</b>
	<b>\$</b>	<b>\$</b>
Intangible asset	3,996,819	2,224,141
Deferred tax asset	125,585	-
Deferred tax liability	(1,181,786)	-
Accumulated losses	(5,737,388)	(6,453,866)
<b>Statement of profit and loss and other comprehensive income (extract)</b>		
Other Income	-	135,779
Income tax benefit/(expense)	(189,390)	(8,407)

The DomaCom Group has made a change to its accounting policy in respect to R&D claims. Under the previous accounting policy any claims submitted to AusIndustry and the ATO would be recognised in full as a tax credit in the period for which the claim was made. Under the revised accounting policy, the claim is 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. The purpose of the change in accounting policy is to match the treatment of the claims with the underlying expenditure. The revised treatment is consistent with best practice and provides a clearer representation of the linked transactions. The change in accounting policy requires the restatement of prior year financial statements as summarised above.

With the change in accounting policy resulting in a deferred tax liability no longer being recognised, an adjustment has also been made to remove the deferred tax asset of \$125,585 at 30 June 2015 from the Statement of Financial Position as it is not considered appropriate to recognise this asset in the absence of a corresponding deferred tax liability due to uncertainty of recoverability.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 5: INCOME TAX EXPENSE**

	2016	2015
Note	\$	\$
<b>Prima facie tax on loss before income tax</b>	(6,060,558)	(1,114,261)
Prima facie tax on loss before income tax at 30%	1,818,167	334,278
	<hr/>	<hr/>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible research and development expenses	455,257	40,734
Non-assessable research & development income	266,458	-
Other non-deductible expenses	(211,669)	(520)
Research and development tax grant received	(1,047,385)	(191,423)
Effect of different tax rate of subsidiaries operating in other jurisdiction (17%)	(38,837)	(10,254)
Unused tax losses not recognised as DTAs	(1,244,425)	(262,153)
Tax offset not recognised for deferred tax	2,434	80,931
	<hr/>	<hr/>
Income tax expense	-	(8,407)
	<hr/>	<hr/>
<b>Components of tax expense</b>		
Temporary differences	-	(8,407)
	<hr/>	<hr/>
	-	(8,407)
	<hr/>	<hr/>

The amounts disclosed in the table below have not been recognised due to uncertainty over future taxable profits in the consolidated tax group.

	2016	2015
Note	\$	\$
<b>Deferred tax assets not recognised at the reporting date:</b>		
Unused tax losses	2,717,260	1,472,835
Equity raising and company restructure costs	204,917	33,896
Accruals & Provisions	97,729	91,689
	<hr/>	<hr/>
	3,019,906	1,598,420
	<hr/>	<hr/>

	2016	2015
Note	\$	\$
<b>NOTE 6: CASH AND CASH EQUIVALENTS</b>		
Cash at bank	64,812	186,483
Cash on deposit	1,681,385	534,452
	<hr/>	<hr/>
	1,746,197	720,935
	<hr/>	<hr/>

Cash and cash equivalents carries a weighted average effective interest rate of 1.9% (2015: 1.9%).

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 7: RECEIVABLES**

**CURRENT**

Amount receivable from R&D taxation rebate		1,286,823	891,942
Amount receivable from related party	17	29,149	-
Other debtors		111,431	59,153
		<u>1,417,403</u>	<u>951,095</u>

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

The Group reviews all receivables for impairment. Any receivables which are doubtful have been provided for. Based on past experience all receivables where no impairment has been recognised are not considered to be impaired. No other class of financial asset are past due.

**NOTE 8: PLANT AND EQUIPMENT**

	<b>Furnitur e &amp; fittings \$</b>	<b>Plant and office equipment \$</b>	<b>Computer Equipment \$</b>	<b>Total \$</b>
<b>Year ended 30 June 2015</b>				
Opening net book amount	-	-	-	-
Assets acquired as part of group reorganisation	5,326	2,043	6,107	13,476
Additions	-	2,616	1,633	4,249
Depreciation charge	(2,980)	(318)	(382)	(3,680)
Closing net book value	<u>2,346</u>	<u>4,341</u>	<u>7,358</u>	<u>14,045</u>
<b>At 30 June 2015</b>				
Cost	9,677	4,241	8,852	22,770
Accumulated depreciation	(5,419)	(1,812)	(1,494)	(8,725)
Net book value	<u>4,258</u>	<u>2,429</u>	<u>7,358</u>	<u>14,045</u>
<b>Year ended 30 June 2016</b>				
Opening net book amount	4,258	2,429	7,358	14,045
Additions	-	-	53,765	53,765
Exchange differences	-	19	-	19
Depreciation charge	(1,936)	(848)	(13,589)	(16,373)
Closing net book value	<u>2,322</u>	<u>1,600</u>	<u>47,534</u>	<u>51,456</u>
<b>At 30 June 2016</b>				
Cost	9,677	4,260	62,616	76,553
Accumulated depreciation	(7,355)	(2,660)	(15,082)	(25,097)
Net book value	<u>2,322</u>	<u>1,600</u>	<u>47,534</u>	<u>51,456</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 9: INTANGIBLE ASSET**

	Software platform	Computer software	Total
	\$	\$	\$
<b>Year ended 30 June 2015</b>			
Opening net book amount	-	-	-
Assets acquired as part of group reorganisation	1,975,850	26,808	2,002,658
Amounts capitalised and additions	190,757	41,320	232,077
Less R&D offset			
Amortisation	-	(2,803)	(2,803)
Closing net book value	2,166,607	57,534	2,224,141
<b>At 30 June 2015</b>			
Cost	2,166,607	71,320	2,237,927
Accumulated depreciation		(13,786)	(13,786)
Net book value	2,166,607	57,534	2,224,141
<b>Year ended 30 June 2016</b>			
Opening net book amount	2,166,607	57,534	2,224,141
Amounts capitalised and additions	834,637	31,092	865,729
Amortisation	(270,712)	(23,817)	(294,529)
Closing net book value	2,730,532	64,809	2,795,341
<b>At 30 June 2016</b>			
Cost	3,001,244	102,412	3,103,656
Accumulated depreciation	(270,712)	(37,603)	(308,315)
Net book value	2,730,532	64,809	2,795,341

**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 10 years
- Computer software 5 years

See Note 3(t) for management's judgement applied in determining the useful life of intangible assets.

	2016	2015
Note	\$	\$
<b>NOTE 10: PAYABLES</b>		
CURRENT		
Trade creditors	561,625	333,216
Sundry creditors and other accruals	83,839	107,409
	645,464	440,625

Payables are non-interest bearing.

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
<b>NOTE 11: PROVISIONS</b>			
CURRENT:			
Employee entitlements		176,315	103,959
NON-CURRENT			
Employee entitlements		59,688	28,771

**NOTE 12: EMPLOYEE REMUNERATION**

	\$	\$
Wages, salaries	2,310,545	547,838
Pensions - defined contribution plans	203,883	32,825
Share based payments	694,778	-
Other employment benefits	251,737	78,459
	3,460,943	659,122

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 (excluding the CEO) and employees who were employed on 14<sup>th</sup> of December 2015 have been granted performance rights. Mr Naoumidis, who is the key founder of DomaCom and as at the Prospectus Date is its largest shareholder did not participate in the LTIP.

The Performance Rights granted to the non-executive Directors and employees (other than CFO/COO Ross Laidlaw) in December 2015 will vest if the Company lists on the ASX. 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 30 November 2018 and may be exercised at any time after the Company is listed up to that date.

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

The Performance Rights granted to the Company's Chief Operating Officer, Executive Director Ross Laidlaw, will vest following achievement of each of the following milestones:

- the Company is admitted to the official list of ASX;
- FUM in the DomaCom Fund has reached \$100 million; and
- the price at which ordinary shares in the Company have traded has reached \$1.00.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12: EMPLOYEE REMUNERATION (CONTINUED)**

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

	<b>Employee &amp; non-executive director program Number of rights</b>	<b>Executive director program Number of rights</b>
Outstanding at 1 July 2015	-	-
Granted	1,871,593	213,929
Outstanding at 30 June 2016	1,871,593	213,929

The fair value of performance rights granted under the executive director program was determined using a variation of the binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The fair value of performance rights granted under the employee and non-executive director program was based on the estimated share price at grant date. The following principal assumptions were used in the valuations:

	<b>Employee &amp; non-executive director program</b>	<b>Executive director program</b>
Grant date	14 December 2015	14 December 2015
Vesting period ends	Up to 30 November 2018	Up to 30 November 2018
Share price at date of grant (estimate as unlisted)	\$0.50	\$0.50
Volatility	-	46%-60%
Performance right life	Up to 3 years	Up to 3 years
Dividend yield	-	-
Risk free investment rate	-	1.91-2.06%
Fair value at grant date	\$0.50	\$0.08
Exercise price at grant date	\$0.00	\$0.00
Exercisable from	Variable	Variable
Exercisable to	Up to 30 November 2018	Up to 30 November 2018

In total, \$694,778 (2015: \$nil) 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.

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	Note	2016 \$	2015 \$
<b>NOTE 13: INTEREST BEARING LIABILITIES</b>			
CURRENT:			
Short term loans		-	800,000

The short term loan is interest bearing at 10% per quarter.

**NOTE 14: ISSUED CAPITAL**

Ordinary shares fully paid	(a)	16,791,037	50
K shares fully paid	(b)	-	8,838,385
		16,791,037	8,838,435

**(a) Ordinary shares**

	No.	\$
<b>2016</b>		
Opening balance	25,000,000	50
Ordinary shares converted from K-class during the period	66,605,641	12,560,052
Ordinary shares fully paid issued during the period	9,190,000	4,595,000
Share issue cost	-	(364,065)
Closing balance as at 30 June 2016	100,795,641	16,791,037

**2015**

Opening balance	-	-
Ordinary shares fully paid issued during the period	25,000,000	50
Closing balance as at 30 June 2016	25,000,000	50

**(b) K shares**

**2016**

Opening balance	58,667,862	8,838,385
K shares fully paid issued during the period	7,937,779	3,721,667
K-class shares converted to Ordinary shares during the period	(66,605,641)	(12,560,052)
Closing balance as at 30 June 2016	-	-

**2015**

K shares fully paid issued during the period	58,667,862	8,858,001
Share issue cost	-	(19,616)
Closing balance as at 30 June 2016	58,667,862	8,838,385

In preparation for an ASX listing a resolution was passed in a Special General Meeting on 18 November 2015 to approve the conversion of the K class preference shares to ordinary shares. On 2 December 2015 each K class

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**NOTE 14: ISSUED CAPITAL (CONTINUED)**

preference share was converted into an ordinary share. The existing rights attaching to the ordinary shares remained unchanged as a result of this transaction.

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Deferred debit balance of franking account at the beginning of the reporting period	2,457,964	-
Deferred debt balance at date of Group reorganisation	-	1,566,022
Deferred debit that will arise from the receipt of the R&D tax offset for the current year	1,286,823	891,942
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	3,744,787	2,457,964

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 15: RESERVES**

Share based payment reserve	249,600	249,600
Equity Compensation Reserve	694,777	-
Foreign Currency Translation Reserve	743	1,063
	945,120	250,663

<b>2016</b>	Share based payment reserve	Equity Compensation Reserve	Foreign Currency Translation Reserve
Opening balance	249,600	-	1,063
Recognition of performance rights issued during the period	-	694,777	-
Translation of foreign operation net assets and results	-	-	(320)
Closing balance	249,600	694,777	743

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**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 15: RESERVES (CONTINUED)**

<b>2015</b>	Share based payment reserve	Equity Compensation Reserve	Foreign Currency Translation Reserve
Opening balance	-	-	-
Transfer from business combination	249,600	-	-
Translation of foreign operation net assets and results	-	-	1,063
Closing balance	<u>249,600</u>	<u>-</u>	<u>1,063</u>

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. 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.

**NOTE 16: AUDITOR REMUNERATION**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Audit and review of financial statements</b>		
Auditors of DomaCom Limited - Grant Thornton Australia	44,035	39,264
Overseas Grant Thornton network firms	7,947	-
Remuneration from audit and review of financial statements	<u>51,982</u>	<u>39,264</u>
<b>Other Services</b>		
Auditors of DomaCom Limited - Grant Thornton Australia		
- taxation compliance	70,802	80,360
- due diligence services	30,720	-
Total other service remuneration	<u>101,522</u>	<u>80,360</u>
Total auditor's remuneration	<u>153,504</u>	<u>119,624</u>

**NOTE 17: RELATED PARTY TRANSACTIONS**

**Key management personnel compensation**

Wages, salaries	575,342	143,836
Pensions - defined contribution plans	54,658	13,664
Share based payments	17,114	-
	<u>647,114</u>	<u>157,500</u>

The term of the share based payments in the form of performance rights are set out in Note 11. Key management personnel are employees of DomaCom Australia Limited, a controlled entity of the Company

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**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 17: RELATED PARTY TRANSACTIONS (CONTINUED)**

**Transactions between the Group and its related parties**

During the financial year ended 30 June 2016, 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 received during the financial year were \$20,642 (2015: \$4,363).

DomaCom Australia Limited held cash in the DomaCom Fund. Interest earned during the financial year was \$32,785 (2015: \$3,567). At 30 June 2016, cash held in the DomaCom Fund amounted to \$1,681,385 (2015: \$534,452).

DomaCom Australia had an unsecured receivable balance with the DomaCom Fund of \$29,149 (2015: \$nil) representing upfront sub-fund set-up costs to be subsequently reimbursed by the DomaCom Fund.

**NOTE 18: CONTINGENT LIABILITIES**

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

**NOTE 19: COMMITMENTS**

	Note	\$	\$
Operating lease commitments:			
No later than 12 months		221,496	204,736
Between 12 months and 5 years		16,901	16,158
Greater than 5 years		-	-
Minimum lease payments		238,397	220,894

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

**NOTE 20: 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 fractionalize assets	100%
DomaCom Singapore Private Limited	Singapore	Sales and marketing of fractionalized asset product	100%
DomaCom Platform Services Pty Ltd	Australia	Development of platform to fractionalize assets	100%

The Parent Entity is to enter into a deed of cross guarantee with DomaCom Singapore that has net liabilities of SGD\$ 230,673 at the period end.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2016 \$	2015 \$
<b>NOTE 21: FINANCIAL INSTRUMENTS</b>			
<b>Categories of financial instruments</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	6	1,746,197	720,935
Trade and other receivables #	7	1,417,403	951,095
		<u>3,163,600</u>	<u>1,672,030</u>
<b>Financial Liabilities</b>			
Current borrowings #	13	-	800,000
Trade and other payables #	10	561,625	333,216
		<u>561,625</u>	<u>1,133,216</u>

# 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 Financial Controller.

**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.

The Group's financial liabilities have contractual maturities (including interest payments where applicable) of less than 6 months.

**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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)**

**Credit Risk Analysis (continued)**

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:

	<b>Note</b>	<b>2016</b> \$	<b>2015</b> \$
<b>Foreign Currency Sensitivity</b>			
<b>SGD</b>			
Financial assets		11,837	64,276
Financial liabilities		-	-
Total Exposure		11,837	64,276

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 2016 (2015: 10%).

If the \$SGD had strengthened against the \$AUD by 10% (2015: 10%) this would have had the following impact through an increase in the Foreign Currency Translation Reserve:

	<b>2016</b> \$	<b>2015</b> \$
Equity	1,187	6,867

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)**

**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% (2015: +/- 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.

	<b>Loss for the period</b>	<b>Loss for the period</b>
	<b>\$</b>	<b>\$</b>
	<b>+1%</b>	<b>-1%</b>
30 June 2016	(22,897)	22,897
30 June 2015	(1,177)	1,177

**NOTE 22: PARENT ENTITY INFORMATION**

Current Assets	1,277,270	65,000
Total Assets	17,364,191	9,879,628
Current Liabilities	-	800,000
Total Liabilities	-	800,000
Net Assets	<u>17,364,191</u>	<u>9,079,628</u>
Issued Capital	16,791,037	8,838,435
Reserves	944,377	249,600
Retained earnings	(371,223)	(8,407)
Total Equity	<u>17,364,191</u>	<u>9,079,628</u>

**NOTE 23: 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 was lodged with AusIndustry on 16 September 2016 for an amount of \$1,286,823.
- The Group is currently going through the process of seeking further capital through a listing on the Australian Stock Exchange.

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

**NOTE 24: COMPANY DETAILS**

The registered office and the principal place of business of the Company is:  
Level 6  
99 Queen Street  
Melbourne, VIC 3000

**DIRECTORS' DECLARATION**

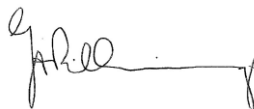
In the opinion of the directors of DomaCom Limited

- 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 2016 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:



**Arthur Naoumidis**  
Director



**Graeme A Billings**  
Director

Dated the 23<sup>rd</sup> of September 2016

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOMACOM LIMITED**

We have audited the accompanying financial report of DomaCom Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors' Responsibility for the Financial Report**

The Directors of the Company 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*. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, the financial statements comply with International Financial Reporting Standards.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

### **Independence**

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

### **Auditor's Opinion**

In our opinion:

- a the financial report of DomaCom Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 3(s) of the financial report which indicates uncertainties regarding the going concern assumption. The conditions outlined in Note 3(s) indicate the need to obtain additional capital to continue as a going concern. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



Brad Taylor  
Partner - Audit & Assurance

Melbourne, 23 September 2016