

DomaCom Fund
ARSN 167 020 626

**CONDENSED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

DomaCom Fund

ARSN 167 020 626

Condensed interim financial report For the half-year ended 31 December 2017

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The Responsible Entity of the Fund is Melbourne Securities Corporation Limited ("the Responsible Entity") (ABN 57 160 326 545) (AFSL No. 428289).

Directors' Report

The Directors of Melbourne Securities Corporation Limited (ABN 57 160 326 545, AFSL 428289), the Responsible Entity of DomaCom Fund, present their report together with the condensed interim financial statements of the Fund for the half-year ended 31 December 2017 and the auditor's report thereon.

1 Directors

The names of Directors of the Responsible Entity in office at any time during or since the end of the half-year are:

Michael Fleming

Matthew Fletcher

Andrew Georgiou

Melbourne Securities Corporation Limited was appointed Responsible Entity on 29 November 2017 replacing Perpetual Trust Services Limited (ABN 48 000 142 049, AFSL 236648) ("Perpetual").

Christopher Green (Perpetual)	Director Appointed 1 October 2008
Michael Henry Vainauskas (Perpetual)	Director Appointed 2 March 2015
Glenn Stephen Foster (Perpetual)	Director Appointed Director 27 July 2015
Andrew Cannane (Perpetual)	Director Appointed 28 August 2015
Rodney Garth Ellwood (Perpetual)	Alternate (for Christopher Green and Andrew Cannane) Appointed 7 December 2015
Vicki Riggio (Perpetual)	Alternate Director (for Andrew Cannane) Appointed 1 November 2016
Andrew McIver (Perpetual)	Alternate Director (for Michael Vainauskas) Appointed 13 January 2017
Gillian Larkins (Perpetual)	Alternate Director (for Glenn Stephen Foster) Appointed 14 July 2017

2 Principal activities

The principal activity of the Fund is fractional investment in real estate (residential and commercial), for the purpose of earning revenue in the form of rent. The Fund seeks to offer a stable, tax effective income investment stream coupled with growth potential over the longer term for its investors.

3 Review and results of operations

There have been no significant changes to the operations of the Fund since the previous financial period. The Fund continued to invest funds in accordance with the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year ended 31 December 2017 \$	Half-year ended 31 December 2016 \$
Net operating profit/(loss) before financing costs attributable to unitholders	(119,380)	84,798
Distribution paid and payable	180,997	160,423

Directors' Report (continued)

4 Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial half-year under review.

5 After Balance Date Events

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

6 Environmental Issues

The Fund complied with all environmental regulations during the course of the half-year.

7 Indemnification and insurance of Officers and Auditors

During or since the end of the period, the Fund has not indemnified or agreed to indemnify, nor paid insurance premiums to insure any of the directors or officers of the Responsible Entity. The auditors of the Fund are not indemnified out of the assets of the Fund. Grant Thornton Audit Pty Ltd. continues to be the auditor in office.

8 Proceedings on Behalf of the Fund

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

A copy of the auditors' independence declaration as required by section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of the Board of Directors of Melbourne Securities Corporation Limited.



Director
Melbourne Securities Corporation Limited

Melbourne
16th March 2018

Collins Square, Tower 1
727 Collins Street
Docklands Victoria 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

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

Auditor's Independence Declaration to the Directors of the Responsible Entity of DomaCom Fund

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of DomaCom Fund for the half-year ended 31 December 2017, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Cunningham
Partner - Audit & Assurance

Melbourne, 16 March 2018

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Condensed interim statement of profit or loss and other comprehensive income

	Note	Half-year ended 31 December 2017 \$	Half-year ended 31 December 2016 \$
Revenue and other income			
Rental and other property income		230,026	80,822
Interest income		87,531	143,742
Change in fair value of investment properties	2	(205,061)	(69,634)
Total revenue and other income		112,496	154,930
Expenses			
Property outgoings		76,868	34,950
Management fees		78,268	26,629
Legal and professional fees		5,145	6,793
Taxes		60,197	-
Other expenses		11,398	1,760
Total expenses		231,876	70,132
Operating profit/(loss) for the half-year		(119,380)	84,798
Finance costs attributable to unit holders			
Distributions to unitholders	5	(180,997)	(160,423)
Decrease/(increase) in net assets attributable to unitholders	4	300,377	75,625
Operating profit/(loss) for the half-year		-	-
Other comprehensive income		-	-
Total comprehensive income/(loss) for the half-year attributable to unitholders		-	-

The above condensed interim statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Condensed interim statement of financial position

	Note	As at 31 December 2017 \$	As at 30 June 2017 \$
Assets			
Current assets			
Cash and cash equivalents		10,323,062	10,260,401
Trade and other receivables		-	5,312
Other assets		136,592	87,540
Total current assets		10,459,654	10,353,253
Non-current assets			
Inventory on development assets		3,419,766	3,370,172
Investment properties	2, 3	10,301,452	9,030,591
Total non-current assets		13,721,218	12,400,763
Total assets		24,180,872	22,754,016
Liabilities			
Current liabilities			
Distributions payable		5,648	8,129
Trade and other payables		76,824	15,897
Total current liabilities		82,472	24,026
Total liabilities		82,472	24,026
Net assets attributable to unit holders - liability	4	24,098,400	22,729,990
Liabilities attributable to unit holders		(24,098,400)	(22,729,990)
Net assets		-	-

The above condensed interim statement of financial position should be read in conjunction with the accompanying notes.

Condensed interim statement of changes in net assets attributable to unitholders

	Note	Half-year ended 31 December 2017 \$	Year ended 30 June 2017 \$
Beginning balance		22,729,990	13,578,453
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Applications / Reinvestments	4	5,415,379	15,195,783
Redemptions	4	(3,746,592)	(5,557,565)
Decrease in net assets attributable to unitholders	4	(300,377)	(486,681)
Total net assets attributable to unitholders at the end of the period	4	24,098,400	22,729,990

The above condensed interim statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes.

Condensed interim statement of cash flows

	Half-year ended 31 December 2017 \$	Half-year ended 31 December 2016 \$
Cash flows from operating activities		
Rental and other property income received	225,344	80,822
Interest received	87,533	143,742
Property outgoings paid	(74,974)	(35,571)
Other expenses paid	(86,826)	(34,239)
Net cash provided by operating activities	151,077	154,754
Cash flows from investing activities		
Payments for purchase of investment properties	(1,648,726)	(1,515,834)
Receipts from disposal of investment properties	75,000	-
Net cash used in investing activities	(1,573,726)	(1,515,834)
Cash flows from financing activities		
Proceeds from applications by unitholders	5,415,380	14,277,746
Payments for redemptions by unitholders	(3,746,592)	(5,981,492)
Distributions to unitholders	(183,478)	(161,905)
Net cash provided by financing activities	1,485,310	8,134,349
Net increase in cash and cash equivalents	62,661	6,773,269
Cash and cash equivalents at the beginning of the half-year	10,260,401	11,521,820
Cash and cash equivalents at the end of the half-year	10,323,062	18,295,089

The above condensed interim statement of cash flows should be read in conjunction with the accompanying notes.

1 Basis of preparation of half-year financial statements

These general purpose financial statements for the interim half-year ended 31 December 2017 have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 Interim Financial Reporting.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2017 and any public announcements made in respect of the DomaCom Fund during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements were authorised for issue by the directors on 16 March 2018. The directors of the Responsible Entity have the power to amend the financial statements after they have been issued.

The accounting policies adopted are consistent with those of the previous financial year.

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) *AASB 9 Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments. The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting.

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

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The adoption of AASB15 will not have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

2 Fair value measurement

(a) Recognised fair value measurements

The Fund measures and recognises assets and liabilities at fair value on a recurring basis.

To provide an indication about the reliability of inputs used in determining fair value, the Fund classifies its assets and liabilities at fair value into three levels prescribed under the accounting standards. An explanation of each level is set out below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2 Fair value measurement (continued)

(a) Recognised fair value measurements (continued)

Financial assets and liabilities not carried at fair value have carrying values that reasonably approximate their fair values and are categorised within the fair value hierarchy as follows:

- Cash and cash equivalents - Level 1; and
- All other financial assets and liabilities - Level 2

The following table presents the Fund's non-financial assets measured and recognised at fair value:

At 31 December 2017	Level 1	Level 2	Level 3	Total
Non-financial assets				
Investment properties	-	-	10,301,452	10,301,452
Total assets	-	-	10,301,452	10,301,452
At 30 June 2017	Level 1	Level 2	Level 3	Total
Non-financial assets				
Investment properties	-	-	9,030,591	9,030,591
Total assets	-	-	9,030,591	9,030,591

There were no transfers between levels of fair value measurement during the half-year and there were no other financial assets or liabilities that were measured and recognised at fair value and classified as Level 1 or Level 3.

The policy of the Fund is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

The Fund did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2017.

The following table presents the movement in level 3 assets for the half-year ended 31 December 2017 by class of financial asset.

	Investment properties	
	Half-year ended 31 December 2017	Year ended 30 June 2017
Opening balance	9,030,591	2,006,000
Acquisitions/ additions	1,550,303	7,317,898
Disposals	(74,381)	-
Gains and losses recognised in profit or loss	(205,061)	(293,307)
Closing balance	10,301,452	9,030,591

(b) Valuation process

The Responsible Entity through the Fund's Manager conducts an investment property valuation process on a rolling 12 month basis. All independent valuations are performed by independent professionally qualified external valuers.

Existing properties

On an ongoing basis, the Responsible Entity through the Fund's Manager, assesses whether there has been a material change in the value of a property. External valuations are obtained within 2 months after the management form a view that there is a likelihood that there has been a material change in the valuation of the property.

2 Fair value measurement (continued)

(b) Valuation process (continued)

To make this assessment, the following steps are performed by the Fund's Manager:

- 1 perform desktop assessments of current values through discussions with external valuers and by using external market data feeds to gauge the current market situation;
- 2 compare the initial assessment of current value to the most recent book value and determine the percentage movement; and
- 3 if the property has been acquired in the last 12 months, the valuation on acquisition may still be valid but is reviewed against comparable sales/market data.

Development properties

The total cost of a development property is generally capitalised to its carrying value until development is complete. At the commencement of a development project, an estimated valuation on completion is obtained and the capitalised costs during the project are monitored against this initial valuation.

At each reporting date, the carrying values of development properties are reviewed to determine whether they are in excess of their fair value. Where appropriate, a write-down is made to reflect fair value.

3 Non-current assets - investment properties

Below is the list of properties fully owned by the Fund:

	As at 31 December 2017 \$	As at 30 June 2017 \$
811/127-133 Leicester Street, Carlton VIC 3053	160,000	160,000
806/127-133 Leicester Street, Carlton VIC 3053	165,000	165,000
803/127-133 Leicester Street, Carlton VIC 3053	165,000	160,000
808/127-133 Leicester Street, Carlton VIC 3053	165,000	160,000
606/127-133 Leicester Street, Carlton VIC 3053	165,000	165,000
14 Ceres Street, Wulkuraka QLD 4305	425,000	425,000
158/251-255A Clarence Street, Sydney NSW 2000	79,880	74,880
222/251-255A Clarence Street, Sydney NSW 2000	76,880	74,880
1/388-390 Burwood Highway, Burwood VIC 3125	120,000	120,000
229/251-255A Clarence Street, Sydney NSW 2000	-	74,381
Lot 42 Parkfield Loop, Paralowie SA 5108	325,000	324,800
Lot 43 Parkfield Loop, Paralowie SA 5108	325,000	324,800
604/127-133 Leicester Street, Carlton VIC 3053	165,000	165,000
6/18 Workshops Street, Brassall QLD 4305	310,000	329,000
5 Prospect Street, Silkstone QLD 4304	345,000	345,000
Lot 45 Parkfield Loop, Paralowie SA 5108	325,000	324,750
15 Pommer Street, Brassall QLD 4305	385,000	389,000
Lot 18 Fazzolari Circuit, Paralowie SA 5110	320,000	330,500
202/51-53 Gaffney Street, COBURG VIC 3058	410,000	410,000
Lot 44 Parkfield Loop, Paralowie SA 5108	320,000	330,500
106/35 Hall Street, Moonee Ponds VIC 3039	38,760	38,760
602/35 Hall Street, Moonee Ponds VIC 3039	77,520	77,520
801/35 Hall Street, Moonee Ponds VIC 3039	67,320	67,320
Lot 47 Parkfield Loop, Paralowie SA 5108	320,000	313,400
Lot 56 Parkfield Loop, Paralowie SA 5108	320,000	313,400
Lot 20 Stacey Court, Munno Para West SA 5115	282,700	161,600
117/36 Queen Victoria Street, Fremantle WA 6160	690,000	700,000
Lot 40/33 Junction Drive, Redbank Plains QLD 4301	300,000	349,500
Lot 15/225 Sutton Street, Warragul VIC 3820	345,000	345,000
Lot 64 Athena Drive, Risdon Vale TAS 7016	305,950	121,450
7/37 Wildey Street, Raceview QLD 4305	289,000	289,000
Lot 27 Isla Court, Munno Para West SA 5115	283,500	119,150
421/6 Aqua Street, Southport QLD 4215	425,000	425,000
"Doyles", Lower Coleraine Road, Muntham VIC 3315	857,000	857,000
Lot 47/21 Springfield Parkway, Springfield QLD 4300	394,398	-
Lot 66 Athena Drive, Risdon Vale TAS 7016	127,757	-
Unit 8/37 Wildey Street, Raceview QLD 4305	301,791	-
Lot 21 Chellaston Road, Munno Para West SA 5115	123,996	-
	10,301,452	9,030,591

4 Net assets attributable to unitholders

Movements in number of units and net assets attributable to unit holders during the half-year were as follows:

	Half-year ended 31 December 2017		Year ended 30 June 2017	
	Units	\$	Units	\$
Opening balance	25,529,331	22,729,990	13,784,593	13,578,453
Applications	6,154,789	5,350,822	15,834,037	15,010,201
Redemptions	(3,746,592)	(3,746,592)	(5,557,565)	(5,557,565)
Unit class conversion	-	-	1,282,684	-
Units issued upon reinvestment of distributions	64,557	64,557	185,582	185,582
Increase/(decrease) in net assets attributable to unit holders	-	(300,377)	-	(486,681)
Closing balance	28,002,085	24,098,400	25,529,331	22,729,990

5 Distributions

Distributions paid/payable to unitholders

The distributions for the period were:

	Half-year ended 31 December 2017 \$	Half-year ended 31 December 2016 \$
Distributions paid	175,349	145,610
Distributions payable	5,648	14,813
	180,997	160,423

6 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2017 and 30 June 2017.

7 Events subsequent to reporting date

No matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Directors' declaration

The Directors of Melbourne Securities Corporation Limited, the Responsible Entity of DomaCom Fund, declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standard AASB 134 Interim Financial Reporting and giving a true and fair view of the financial position as at 31 December 2017 and performance of the Fund for the half-year ended on that date.

This declaration is made in accordance with a resolution of the directors, made pursuant to Section 303(5) of the *Corporations Act 2001*.



Director
Melbourne Securities Corporation Limited

Melbourne
16th March 2018

Collins Square, Tower 1
727 Collins Street
Docklands Victoria 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 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 Review Report to the Members of DomaCom Fund

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of DomaCom Fund (the "Scheme"), which comprises the consolidated statement of financial position as at 31 December 2017 and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of DomaCom Fund does not give a true and fair view of the financial position of the Scheme as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors Responsibility for the Half Year Financial Report

The Directors of the Responsible Entity of the Scheme are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Scheme's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DomaCom Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Cunningham
Partner - Audit & Assurance

Melbourne, 16 March 2017