

DomaCom Fund
ARSN 167 020 626

**CONDENSED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

DomaCom Fund

ARSN 167 020 626

Condensed interim financial report For the half-year ended 31 December 2018

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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 2018 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 year are:

Michael Fleming

Matthew Fletcher

Andrew Georgiou

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 2018 \$	Half-year ended 31 December 2017 \$
Net operating profit/(loss) before financing costs attributable to unitholders	(621,148)	(119,380)
Distribution paid and payable	262,367	180,997

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
14 March 2019

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 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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, 14th March 2018

Condensed interim statement of profit or loss and other comprehensive income

	Note	Half-year ended 31 December 2018 \$	Half-year ended 31 December 2017 \$
Revenue and other income			
Rental and other property income		377,000	230,026
Interest income		143,536	87,531
Change in fair value of investment properties	2(a)	(320,294)	(205,061)
Total revenue and other income		200,242	112,496
Expenses			
Property outgoings		587,271	88,266
Management fees		140,009	78,268
Legal and professional fees		8,852	5,145
Taxes		21,480	60,197
Finance Costs		63,778	-
Total expenses		821,390	231,876
Operating profit/(loss) for the year		(621,148)	(119,380)
Finance costs attributable to unit holders			
Distributions to unitholders	7	(262,367)	(180,997)
Decrease/(increase) in net assets attributable to unitholders	6	883,515	300,377
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 2018 \$	As at 30 June 2018 \$
Assets			
Current assets			
Cash and cash equivalents		9,904,826	13,563,743
Trade and other receivables		14,456	2,769
Other assets		236,330	147,227
Total current assets		10,155,612	13,713,739
Non-current assets			
Loan Receivable	4	1,457,000	948,000
Inventory on development assets		4,602,656	3,866,457
Investment properties	2(a), 3	21,825,445	16,833,482
Mortgage Securities	5	1,950,000	-
Total non-current assets		29,835,101	21,647,939
Total assets		39,990,713	35,361,678
Liabilities			
Current liabilities			
Distributions payable		13,455	13,891
Trade and other payables		469,962	98,753
Loan payable	4	1,021,859	394,640
Total current liabilities		1,505,276	507,284
Non-current liabilities			
Loan payable	4	1,457,000	948,000
Total non-current liabilities		1,457,000	948,000
Total liabilities		2,962,276	1,455,284
Net assets attributable to unit holders - liability	6	37,028,437	33,906,394
Liabilities attributable to unit holders		(37,028,437)	(33,906,394)
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 2018 \$	Year ended 30 June 2018 \$
Beginning balance		33,906,394	22,729,990
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Applications / Reinvestments		8,136,494	18,683,650
Redemptions		(4,130,936)	(6,749,304)
		(883,515)	(757,942)
Total net assets attributable to unitholders at the end of the period	6	37,028,437	33,906,394

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 2018 \$	Half-year ended 31 December 2017 \$
Cash flows from operating activities		
Rental and other property income received	377,000	225,344
Interest received	143,535	87,533
Property outgoings paid	(587,271)	(74,974)
Interest Paid	(63,778)	-
Other expenses paid	(145,378)	(86,826)
Net cash provided by operating activities	(275,892)	151,077
Cash flows from investing activities		
Payments for purchase of investment properties	(5,803,000)	(1,648,726)
Payments for purchase of mortgage securities	(1,950,000)	-
Receipts from disposal of investment properties	-	75,000
Net cash used in investing activities	(7,753,000)	(1,573,726)
Cash flows from financing activities		
Proceeds from applications by unitholders	8,136,495	5,415,380
Proceeds from borrowings	627,219	-
Payments for redemptions by unitholders	(4,130,936)	(3,746,592)
Distributions to unitholders	(262,803)	(183,478)
Net cash provided by financing activities	4,369,975	1,485,310
Net increase in cash and cash equivalents	(3,658,917)	62,661
Cash and cash equivalents at the beginning of the half-year	13,563,743	10,260,401
Cash and cash equivalents at the end of the half-year	9,904,826	10,323,062

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 2018 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 2018 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 14 March 2019. 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

The following new and revised Standards were adopted in these financial statements. The impact of these new standards (to the extent relevant to the Fund 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 also introduced revised rules around hedge accounting. There has been no 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 replaces 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 has not had any 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-financials assets measured and recognised at fair value:

At 31 December 2018	Level 1	Level 2	Level 3	Total
Non-financial assets				
Investment properties	-	-	21,825,445	21,825,445
Total assets	-	-	21,825,445	21,825,445
At 30 June 2018	Level 1	Level 2	Level 3	Total
Non-financial assets				
Investment properties	-	-	16,833,482	16,833,482
Total assets	-	-	16,833,482	16,833,482

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 2018

The following table presents the movement in level 3 assets for the half-year ended 31 December 2018 by class of financial asset.

	Investment properties	
	Half-year ended 31 December 2018	Year ended 30 June 2018
Opening balance	16,833,482	9,030,591
Acquisitions/ additions	5,312,257	8,376,723
Disposals	-	(74,381)
Gains and losses recognised in profit or loss	(320,294)	(499,451)
Closing balance	21,825,445	16,833,482

(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 2018 \$	As at 30 June 2018 \$
811/127-133 Leicester Street, Carlton VIC 3053	160,000	160,000
806/127-133 Leicester Street, Carlton VIC 3053	177,000	165,000
803/127-133 Leicester Street, Carlton VIC 3053	161,000	165,000
808/127-133 Leicester Street, Carlton VIC 3053	170,000	165,000
606/127-133 Leicester Street, Carlton VIC 3053	160,000	160,000
14 Ceres Street, Wulkuraka QLD 4305	430,000	425,000
158/251-255A Clarence Street, Sydney NSW 2000	81,500	80,000
222/251-255A Clarence Street, Sydney NSW 2000	78,500	77,000
1/388-390 Burwood Highway, Burwood VIC 3125	125,000	120,000
Lot 42 Parkfield Loop, Paralowie SA 5108	320,000	320,000
Lot 43 Parkfield Loop, Paralowie SA 5108	320,000	320,000
604/127-133 Leicester Street, Carlton VIC 3053	160,000	160,000
6/18 Workshops Street, Brassall QLD 4305	310,000	310,000
5 Prospect Street, Silkstone QLD 4304	360,000	360,000
Lot 45 Parkfield Loop, Paralowie SA 5108	320,000	320,000
15 Pommer Street, Brassall QLD 4305	385,000	385,000
Lot 18 Fazzolari Circuit, Paralowie SA 5110	320,000	320,000
202/51-53 Gaffney Street, COBURG VIC 3058	435,000	410,000
Lot 44 Parkfield Loop, Paralowie SA 5108	320,000	320,000
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	320,000
Lot 56 Parkfield Loop, Paralowie SA 5108	320,000	320,000
Lot 20 Stacey Court, Munno Para West SA 5115	260,000	260,000
117/36 Queen Victoria Street, Fremantle WA 6160	600,000	690,000
Lot 40/33 Junction Drive, Redbank Plains QLD 4301	300,000	300,000
Lot 15/225 Sutton Street, Warragul VIC 3820	350,000	350,000
Lot 64 Athena Drive, Risdon Vale TAS 7016	380,000	340,000
7/37 Wildey Street, Raceview QLD 4305	270,000	270,000
Lot 27 Isla Court, Munno Para West SA 5115	260,000	260,000
421/6 Aqua Street, Southport QLD 4215	425,000	425,000
"Doyles", Lower Coleraine Road, Muntham VIC 3315	980,000	980,000
Lot 821 Celestial Way, Coomera QLD 4209	450,000	434,167
Lot 47/21 Springfield Parkway, Springfield QLD 4300	380,000	394,398
Lot 66 Athena Drive, Risdon Vale TAS 7016	350,000	306,911
Unit 8/37 Wildey Street, Raceview QLD 4305	270,000	289,539
Lot 21 Chellaston Road, Munno Para West SA 5115	260,000	167,246
Lot 440 Fernbrooke NA, Redbank Plains QLD 4301	436,073	352,206
Lot 123/64 Devonshire Road, Rossmore NSW 2557	3,549,240	3,549,240
Unit 18/37 Wildey Street, Raceview QLD 4305	289,174	289,174
66 Beaconsfield Parade, Northcote VIC 3070	1,610,000	1,610,000
Lot 1241/60 Devonshire Road, Rossmore NSW 2557	4,127,058	-
LOT 102 Matthias Way, Leichhardt, QLD 4305	175,500	-
LOT 107 Turnberry Close, Fletcher Way, NSW 2287	346,100	-
Lot 54 Athena Drive, Risdon Vale TAS 7016	140,700	-
	21,825,445	16,833,482

	As at 31 December 2018 \$	As at 30 June 2018 \$
4 Loans Receivable and Payable		
Loans receivable - non-current		
66 Beaconsfield Parade, Northcote VIC 3070	948,000	948,000
LOT 107 Turnberry Close, Fletcher Way, NSW 2287	509,000	-
	1,457,000	948,000
Loans payable - current		
Lot 15 Avery Lane, Clifftleigh, NSW 2321	1,021,859	394,640
Loans payable - non-current		
66 Beaconsfield Parade, Northcote VIC 3070	948,000	948,000
LOT 107 Turnberry Close, Fletcher Way, NSW 2287	509,000	-
	1,457,000	948,000

Property sub-funds 66, Beaconsfield Parade and LOT 107 Turnberry Close have entered into a loan agreements with DomaCom Loan Fund with a rate of interest of 5.5% and terms of 5 years. The DomaCom Loan Fund is separate to the DomaCom Fund and was set up solely to enable loans between sub-Funds of the DomaCom Fund. The DomaCom Loan Fund separately entered into loans with the Loan sub-fund 66, Beaconsfield Parade and Loan sub-Fund LOT 107 Turnberry Close with a rate of interest of 5.5% and terms of 5 years.

Property sub-Fund Lot 15 Avery Lane entered into a loan with a 3rd party with an interest rate of 9.75%. The loans payable are secured only on the respective assets above.

5 Mortgage Securities

	Half-year ended 31 December 2018	Year ended 30 June 2018
Acquisition of Mortgage Securities	1,950,000	-
	1,950,000	-

A new sub-fund was created during the half-year ended 31 December 2018 to allow investors to participate in multiple commercial and residential loans backed by first registered mortgages.

6 Net assets attributable to unitholders

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

	Half-year ended 31 December 2018		Year ended 30 June 2018	
	Units	\$	Units	\$
Opening balance	44,281,707	33,906,394	25,529,331	22,729,990
Applications and unit class conversion	12,499,523	8,071,937	25,398,457	18,619,093
Redemptions	(12,890,707)	(4,130,936)	(6,749,304)	(6,749,304)
Units issued upon reinvestment of distributions	125,951	64,557	103,223	64,557
Increase/(decrease) in net assets attributable to unit holders	-	(883,515)	-	(757,942)
Closing balance	44,016,474	37,028,437	44,281,707	33,906,394

7 Distributions

Distributions paid/payable to unitholders

The distributions for the period were:

	Half-year ended 31 December 2018 \$	Half-year ended 31 December 2017 \$
Distributions paid	248,912	175,349
Distributions payable	13,455	5,648
	<u>262,367</u>	<u>180,997</u>

8 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2018 and 30 June 2018.

9 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.

10 Responsible Entity details

The registered office and the principal place of business of the Responsible Entity is Level 2, Professional Chambers, 120 Collins Street, Melbourne VIC 3000.

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 2018 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
14 March 2019

Independent Auditor's Review Report

To the Members of DomaCom Fund

Report on the audit of the financial report

Conclusion

We have reviewed the accompanying half year financial report of DomaCom Fund (the 'Scheme'), which comprises the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable for unitholders and 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 2018, 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 Report 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 2018 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.

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, 14th March 2019