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DomaCom

FRACTIONAL INVESTING

2019 Annual Report

DomaCom Limited and its Controlled Entities
ABN 69 604 384 885

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DOMACOM LIMITED
ABN 69 604 384 885

CHAIRMAN'S REPORT
30 JUNE 2019

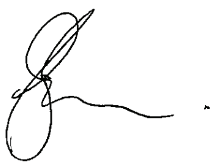
Dear Shareholder

It is pleasing to see some light at the end of the tunnel with 2018-19 delivering some major milestones. After 5 long years negotiating with the regulator on the important topic and associated product, Senior Equity Release, we now have an offering which can be used in the market to help the many retirees who don't have sufficient money for a comfortable retirement but substantial equity in their home. An enormous effort from the team to get this missing offering into the market since the reduction in attractiveness of reverse mortgages.

Whilst not a key objective when we started, we have come to realise that many of DomaCom's key projects have at the heart of them, community benefits driven by the uniqueness and flexibility of the DomaCom fractional investment platform. Whether it is solar farms and wind farms, affordable housing, equity available to live on or better ways to get children into the property market, DomaCom has some of the key components to solve these challenging situations facing the broader community today. This is supported by our main fractional property investment offering which is also gaining more traction in a disjointed property market. As we move closer to zero interest rates, investors, particularly retirees, will be looking to yield and property will be one of the few places to find it. We expect DomaCom to be a beneficiary of the very low interest rate market.

A challenging and disjointed property market was emphasised particularly in Sydney and Melbourne, both which went backwards whilst banks tightened lending resulting in further worsening by an oversupply in some areas and reduction in prices in many areas. This not only presented some challenges but also some opportunities as our new lending availability through award winning Latrobe, started to come into its own with its client friendly structure and ease of use.

We continue to have challenges around the capital to further enhance these offerings and on behalf of the board, I wish to thank those shareholders both new and old for their continued support. I also wish to thank our staff who work tirelessly to achieve the vision of DomaCom. We have never been in a better position to achieve that vision and I look forward to sharing with you the many successes as we roll out these important offerings.



Grahame Evans
Chairman
20 August 2019

CEO'S REPORT
30 JUNE 2019

Dear Shareholder

Overview

I am pleased to report that all aspects of the DomaCom business are now operational for the first time and that the rate of growth in our Funds Under Management (FUM) has accelerated in the past 6 months. FY2019 saw a number of key milestones being achieved for the company:

- SMSF Sole Purpose Test

  I am pleased to report in August 2018 the Full Federal Court of Australia (FFCA) overturned the original trial judge with a unanimous ruling that it was not a breach of the Sole Purpose Test for a related party of an SMSF to rent a property owned by a DomaCom sub-fund and where the SMSF and associated owned 100% of the sub-fund. Further, the ATO decided not to seek leave to appeal this decision to the High Court of Australia which effectively locks this decision into case law.

  This has been a long running action by DomaCom and represents a milestone for both DomaCom and Australia as it will allow, under certain circumstances, SMSF's to co-invest with their related parties (e.g. children) who can then rent the property.

  This creates several benefits that we believe will help drive growth in the funds under management of the business:

  - Children can get onto the property ladder whilst still renting by investing whatever amount they have
  - Parents can co-invest into a sub-fund on an arm's length basis and receive commercial returns
  - In addition to commercial returns, investors into the sub-fund (including SMSF's) benefit from a reduction in risk by having a tenant that is also a co-investor in the sub fund as they more likely to look after the property
  - Tenants also benefit from having security of tenure as, unlike private landlords, DomaCom will never want to move in which means that the tenant can be sure they will not be evicted as long as they meet the terms of the lease

  We have been negotiating with the ATO for the past 6 months for an SMSF Sole Purpose Test Declaration that will enable us to have clarity as to the circumstances that will allow related parties to rent a property without threat of ATO enforcement action. We are nearing the conclusion of this drafting process and hope to have the matter finalized of the next couple of months.

  We believe that this will result in DomaCom being able to offer a mainstream solution to housing affordability for the younger Australians using their own and their parent's superannuation – a game changer for Australia.

- Internal Lending facility

  After 5 years, we have managed to arrange an internal borrowing facility with La Trobe that will enable us to offer leveraged property to our investors.

  The lack of a leverage facility has, we believe been a major roadblock to our growth as:

  - Financial advisers must consider the tax effectiveness of their advice and, for most investors, having an unleveraged property investment is not tax effective. This has been a major hurdle for a lot of advisers which has now been addressed.
  - The internal leverage facility reduces the capital an adviser needs to raise which makes individual syndications easier to complete.
  - The same investment capital can now syndicate more properties as the investment capital can now be combined with external debt.

  As evidence of this importance of having internal leverage, almost all of the transaction in our pipeline either have debt or will have debt when completed.

  After taking 5 years to get to $40 million in FUM at the end of January 2019, our FUM has now started to accelerate and is now circa $60 million – a 50% growth in just over 6 months with leverage being the key driver of this growth.

- Senior Equity Release (SER)

  After receiving the necessary ASIC permissions in November 2018, the DomaCom Senior Equity Release product was formally launched to the market in June 2019. This concludes a 7-year period to get the necessary regulatory approvals and represents a major investment by the company.

  The SER product is licensed as a financial product which allows financial advisers to advise on equity release for their retired clients as part of a comprehensive financial plan. Our SER product is the only equity release product that is licensed as financial product that financial advisers can use as part of their Australian Financial Services License (AFSL) – the other equity release options are either credit products (e.g. reverse mortgages) or real estate products (e.g. Homesafe Wealth Release) which operate within different licensing regimes.

  With the over 65-year old's owning more than $500 billion in property[1] and the funding of retirement lifestyles a major challenge within Australia, our SER product is well positioned to play an important part in helping fund retirees' lifestyle.

  With some estimates of an upcoming intergenerational wealth transfer of up to $3 trillion over the next 10-20 years[2] Australian financial advisers now have a product that will enable this wealth transfer to be incorporated within a financial plan for their clients whilst they are still alive and remain in their homes.

  This is clearly a major opportunity for the company and we expect the SER product to be a major driver for our growth going forward. We currently have several IFA dealer groups going through the process of adding our SER product to their Approved Product Lists which is a good early sign of interest.

Financial Results

For the full year we reported a loss of $5.8 million ($5.7 million loss 2018), which includes funding cost of approximately $1.8 million and reflects our position as an early stage company. Now that we have resolved the key hurdles to our business growth, we expect this loss to materially decrease over the next 12 months.

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[1] Deloitte 2015
[2] AFR/Perpetual 2017

DOMACOM LIMITED
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CEO'S REPORT
30 JUNE 2019

Our Business

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

- Campaign functions *enabling* investors to pool together to acquire any property asset ("syndication" or "crowdfunding").
- Liquidity through the ability to buy and sell on the platform.
- Greater choice, by being able to search properties through our platform and bid on individual assets they deem attractive.
- An ability to invest alongside family and friends via an enhancement to our platform. This enables a group of family and friends to select a property of their choosing and co-invest together.
- DomaCom has extended its business to allow fractionalisation of other assets such as direct mortgages and other non-property investments. This has already helped to diversify the income stream of the business with over 20% of our FUM now being non-property assets.

Outlook & Conclusion

DomaCom is a business that is now in the position to address two key thematic issues in Australia, housing affordability and funding retirement lifestyle, which represent a very large opportunity for the company and its shareholders.

As a business operating in a highly regulated and challenging economic environment, it has taken an extended period of time to reach the position of regulatory and business clarity and we are now positioned well for the next several years as:

- All our products are now operational – fractional investing & senior equity release
- Our key hurdle has been addressed – we have internal leverage
- Our FUM growth has started to accelerate

I am thankful for the support and patience shown by our investors and look forward to the next 12 months and being able to report on our progress.

Arthur Naoumidis
Chief Executive Officer
20 August 2019

DIRECTORS' REPORT
30 JUNE 2019

Your directors present their report on DomaCom Limited (the "Company") and its Controlled Entities (the "Group") for the year ended 30 June 2019.

1. Directors

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

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

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

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

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

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

Graeme A Billings – Independent Non-Executive Director
Graeme has been a chartered accountant since 1980. He retired from PricewaterhouseCoopers in 2011 after 34 years where he was a senior partner in the Assurance practice. Graeme is a former head of the Melbourne Assurance practice as well as leading the Firm's Australian and Global Industrial Products businesses. He has extensive experience in providing assurance, governance, transaction and consulting services to multi-national and national companies in the automotive, manufacturing, consumer goods and construction industries. Graeme was also a regular media commentator on the Industrial Products sector.
Graeme is now an advisor to various companies as well as acting as a non-executive director for a number of public and private companies in the financial services, manufacturing, retail and construction sectors. His current public company appointments are Chairman of Korvest Ltd, Chairman of Azure Healthcare Ltd, Non-executive Director of GUD Holdings Ltd (Audit Committee Chair) and Non-executive Director of Clover Corporation Ltd (Audit Committee Chair).Graeme has been a director of DomaCom Limited since 23 February 2015.

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

Ross A Laidlaw – Executive Director
Ross has spent over 30 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 a qualified Chartered Accountant, holds a Bachelor of Economics, a Graduate Diploma of Financial Planning and is a Fellow of the Financial Services Institute of Australasia. His key role at DomaCom is as Chief Operating Officer. Ross has been a director since 23 February 2015.

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

2. Directors meetings

The number of Directors' meetings and the number of meetings attended by the Directors of the Company during the year ended 30 June 2019 were:

	Board of Directors		Audit Committee		Risk Management	
	Held	Attended	Held	Attended	Held	Attended
Mr David H Archbold	9	8	3	3	1	1
Mr Graeme A Billings	9	9	3	3	1	1
Mr Peter C Church	9	9	3	3	1	-
Mr Grahame D Evans	9	9	-	-	1	1
Mr Ross A Laidlaw	9	8	3	3	1	1
Mr Arthur Naoumidis	9	9	-	-	1	1

3. Principal activity

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

4. Operating results

The Group has incurred an operating loss of $5,780,755 (2018:$ 5,671,250).

5. Distributions paid or declared

No distributions were declared or paid in the current year.

6. Review of operations and financial results

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

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

New Developments since last year

- Senior Equity Release Product launched
- New Lending Facility with Latrobe Financial
- Diversified Mortgage Portfolio
- Special Opportunities in the Renewal Energy space
- Increased Diversification of Asset Type leading to Fund Growth

Senior Equity Release Product launched

The Senior Equity Release Product was launched in June 2019 after over 6 years in development and working closely with the Australian and Securities Investment Commission. This is a first as no other company in Australia has delivered a regulated Equity Release product to the Seniors market.

This product adds another important piece of the puzzle to the retirement landscape and will allow Financial Planners increased choice and flexibility when dealing with Retirees and their decision with regards to their options concerning remaining in the family house, downsizing or moving into aged care accommodation.

The DomaCom product allows Retirees to sell a part of their home to other investors and in return receive a lump sum payment or a regular income payment or a combination of the two. This will allow Retirees to enjoy their retirement years. Research indicates that many Retirees wish to remain living in their family homes and in the communities, they are familiar with. This particular cohort have not had the years of compulsory superannuation and therefore the family home is often their largest asset. This product requires that the Retirees seek advice from an Accredited Senior Equity release adviser to ensure they understand the nature of the product and the fees and costs. DomaCom are currently accrediting a number of Advisers across Australia.

New Lending Facility with Latrobe Financial

It has been challenging finding a lending provider and as reported in the last annual report, DomaCom was successful in securing a facility through a panel of Non-Bank Lenders last year and it is pleasing to report that DomaCom has secured an initial $50 million lending facility from Latrobe Financial for residential and commercial loans at a very favorable rate of 5.99% p.a. This will further boost DomaCom ability to grow Funds under Management as the majority of Property transactions are undertaken with leverage.

Diversified Mortgage Portfolio

DomaCom was successful in delivering a diversified Mortgage Portfolio for a key client during the year. This product allows the client via the DomaCom platform to select from a panel of external mortgage originators what is the most suitable mortgage based on type of security i.e. commercial, residential, or industrial, length of time, loan to valuation ratio and interest rate. This represents an excellent product for the client in providing a well diversified defensive portfolio for their clients. This product is already in excess of $10 million and we expect this to grow strongly during the forthcoming year. DomaCom are looking to replicate this product for other clients.

Special Opportunities in the Renewal Space

DomaCom developed another first in the Australian market with a Community engagement Fund in the Renewal energy space. This allowed investors to have a direct investment into a Renewal energy asset.

In conjunction with CWP Renewables which are involved in the construction of Wind and Solar Farms and batteries, DomaCom created the Sapphire Wind Farm Community Co-Investment Fund that allowed investors to invest in one of the largest Wind Farms in NSW. This Wind Farm represented 75 turbines and generated sufficient energy to power approximately 110,000 homes. Investors received a return of 6% p.a. paid quarterly for 9 and half years.

CWP Renewables are looking to replicate this approach in many of their other projects and DomaCom have been contacted by other companies in the Renewable energy space who are looking to replicate a similar approach.

Increased Diversification of Asset type leading to Fund Growth

The Funds on the platform have grown by approximately 60% during the year from $35 million to $56 million and this has been largely due to the increased range of asset classes that the platform can now fractionalize. This includes the ability to fractionalise real property assets, creation of loans that are backed by first registered mortgage, other debt securities such as unsecured notes and cash. This broadens the appeal of the platform to clients.

The increase in Funds under Management results in an increase in our asset management fees and it is pleasing to see an increase of over 94% in our Revenue generated from Management fees comparing the year ending 2018 to the year ending 2019.

Cost Savings

The Company continues to monitor costs closely. In the prior year there was a 25% reduction in staff to align to current business requirements. This reduction in staff, combined with the effect of not issuing performance rights in the current year, contributed to a 38% reduction in employee benefits. Excluding finance costs, the loss on early settlement of convertible notes and depreciation, non-employee costs reduced by 48%, including an 18% reduction in Director fees.

The Company will continue to control its cost base to ensure resources are allocated effectively whilst still maintaining the required level of controls and compliance expected of a Group listed on the ASX and holding an Australian Financial Service License.

7. Significant Changes in State of Affairs

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

8. Post Balance Date Events

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

- The Group's Research and Development tax incentive claim has been registered with AusIndustry and an amount of $394,237 will be claimed.

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

9. Future Developments

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

10. Unissued shares under Performance Rights and Options

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

Date Granted	Expiry Date	Exercise price of shares ($)	Number of shares under Performance Rights
5 April 2018	5 April 2021	$nil	1,200,864

Options were granted to the Australian Special Opportunity Fund, LP, a New York-based institutional investor managed by The Lind Partners, LLC (together, "Lind") as set out in Note 12 and Note 24.

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

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

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

Date Granted	Issue Price of Shares ($)	Number of shares issued
14 December 2015	$nil	101,510
5 April 2018	$nil	3,906,265

12. Remuneration Report (audited)

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

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

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

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

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

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

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

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

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

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

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

	2019	2018	2017	2016
Earnings/(Loss) Per Share ($)	(0.04)	(0.05)	(0.06)	(0.06)
Net Profit/(loss) ($'000)	(5,781)	(5,671)	(6,136)	(6,061)
Share price ($) *	0.08	0.066	0.11	-

* Price at 30 June

b) Details of remuneration

	Year	Short-term employee benefits Cash salary and fees	Post-employment benefits Superannuation	Long-term benefits Long service leave	Share-based payments Performance Rights	Total	Performance based % of remuneration
Executive Directors							
Arthur Naoumidis	2019	164,380	15,616	4,582	-	184,578	0%
Director and CEO	2018	191,018	18,147	2,173	55,119	266,457	21%
Ross Laidlaw	2019	136,983	13,013	2,641	-	152,637	0%
Director and COO	2018	163,621	15,544	4,708	50,249	234,122	21%
Non-executive directors							
Grahame Evans	2019	40,909	-	-	-	40,909	0%
Chairman & Independent Director	2018	52,045	-	-	14,612	66,657	22%
David Archbold	2019	27,397	2,603	-	-	30,000	0%
Independent Director	2018	32,774	3,114	-	9,741	45,629	21%
Graeme Billings	2019	27,397	2,603	-	-	30,000	0%
Independent Director	2018	32,774	3,114	-	9,741	45,629	21%
Peter Church	2019	27,397	2,603	-	-	30,000	0%
Independent Director	2018	32,774	3,114	-	9,741	45,629	21%
Other Key Management Personnel							
Philip Chard	2019	162,000	15,390	3,634	-	181,024	0%
CFO / Company Secretary	2018	162,000	15,390	2,744	41,707	221,841	19%
2019 Total		586,463	51,828	10,857	-	649,148	
2018 Total		667,006	58,423	9,625	190,910	925,964	

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

Employee	Fixed Remuneration	At risk: Short Term Incentives	At risk: Performance Rights
Executive Directors			
Arthur Naoumidis	100%	-	-
Ross Laidlaw	100%	-	-
Non-Executive Directors	100%	-	-
Other Key Management Personnel			
Philip Chard	100%	-	-

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

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

The compensation for termination benefits was $nil (2018: $nil).

c) Service agreements

No key management personnel are employed under a service agreement.

d) Share-based remuneration

No Performance Rights were issued during the year ended 30 June 2019.

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

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

e) Other information

The number of Performance Rights in the Company held during the financial year ended 30 June 2019 held by key management personnel, including their related parties, are set out below:

	Balance at start of year (i)	Granted as remuneration	Exercised	Forfeited	Vested and exercisable at the end of the reporting period
Non-Executive Directors					
Grahame Evans	157,117	-	(157,117)	-	-
David Archbold	-	-	-	-	-
Graeme Billings	-	-	-	-	-
Peter Church	-	-	-	-	-
Executive Directors					
Arthur Naoumidis (i)	669,148	-	(669,148)	-	-
Ross Laidlaw	540,309	-	(540,309)	-	-
Executives					
Philip Chard	448,460	-	-	-	448,460

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

The number of ordinary shares in the Company held during the financial year ended 30 June 2019 held by key management personnel, including their related parties, are set out below:

	Balance at start of year	Granted as remuneration	Received on exercise	Other changes	Held at end of reporting period
Executive Directors					
Grahame Evans	860,286	-	157,117	-	1,017,403
David Archbold	383,335	-	-	-	383,335
Graeme Billings	508,335	-	-	-	508,335
Peter Church	183,335	-	-	-	183,335
Non-Executive Directors					
Arthur Naoumidis (i)	18,944,557	-	669,148	-	19,613,705
Ross Laidlaw	1,625,000	-	540,309	-	2,165,309
Philip Chard	78,253	-	-	-	78,253

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

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

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

End of audited Remuneration Report.

13. Environmental Issues

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

14. Indemnification and insurance of Officers or Auditor

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

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

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

15. Proceedings on Behalf of the Group

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

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

16. Auditor's Independence Declaration

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

17. Corporate Governance Statement

The Board of DomaCom has adopted the following Corporate Governance policies and practices which are in accordance with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations (3rd Edition)" (ASX Guidelines) unless otherwise stated. The ASX Corporate Governance Council (the "Council") has issued a 4th Edition of its Corporate Governance Principles and Recommendations (the "Principles and Recommendations") that will take effect for an entity's first full financial year commencing on or after 1 January 2020.

Role and responsibility of the Board (Principle 1.1)

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

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

Board Charter (Principle 1.1)

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

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

Board Committees (Principle 1.2)

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

Audit Committee (Principle 4)

The Board has established a Board Audit Committee.

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

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

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

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

The current Audit Committee members are:

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

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

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

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

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

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

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

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

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

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

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

Terms of appointment (Principle 1.3 & 2.6)

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

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

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

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

Company Secretary (Principle 1.4)

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

Review of Board performance (Principle 1.6 & 1.7)

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

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

The performance of the Board was reviewed during the year ended 30 June 2019.

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

Policies

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

Continuous Disclosure Policy (Principle 5.1)

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

Code of Conduct Policy (Principle 3.1)

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

Communication Policy (Principle 6.1-6.4)

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

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

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

Diversity Policy (Principle 1.5)

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

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

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

- Increase gender diversity on the Board and senior executive positions and throughout the Group. The Company currently has 11% female representation across the entire group as at 30 June 2019. The objective will be to lift this percentage across the company with the intention that a 1/3 (33%) of the employees are female on a full or part time basis by 30 June 2021.
- Promote flexible work practices to provide managers and staff with the tools to tailor flexible work options that suit both the business and the individual's personal requirements;

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

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

Gender Representation	30-Jun-19		30-Jun-18	
	% Female	% Male	% Female	% Male
Non-Executive Directors	0%	100%	0%	100%
Employees				
Executive Directors	0%	100%	0%	100%
Managers	0%	100%	0%	100%
Staff	20%	80%	20%	80%
Total Employees	11%	89%	11%	89%

Risk Management Policy (Principle 7.1-7.4)

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

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

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

The Board has reviewed the risk management framework during the financial year ended 30 June 2019.

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

Compliance with ASX Corporate Governance Principles and Recommendations

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

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

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

except in relation to the following:

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

- Recommendation 7.1.(a) –the Board should have a committee or committees to oversee risks comprising at least 3 members, a majority of independent directors and chaired by an independent director, and should not be the same person as the CEO of the entity.
- Recommendation 8.1.(a) – the Board should establish a remuneration committee comprising at least 3 members, a majority of independent directors and chaired by an independent director, and should not be the same person as the CEO of the entity.

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

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

Grahame D Evans
Chairman
20 August 2019

Arthur Naoumidis
Director

Grant Thornton

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 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

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 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 20 August 2019

DOMACOM LIMITED
ABN 69 604 384 885

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	30 June 2019 $	30 June 2018 $
Revenue		277,424	142,981
Income recognised from research and development incentive		74,364	290,309
Interest Income		6,168	15,362
Fair value gains on derivatives		-	324,501
	4	357,956	773,153
Expenses			
Employee benefits expenses	13	(1,649,180)	(2,681,382)
Fund administration		(170,589)	(216,615)
Rent		(182,026)	(175,501)
Depreciation		(754,497)	(665,649)
Insurance		(206,454)	(214,878)
Advertising		(305,126)	(561,872)
Travel expenses		(84,305)	(102,426)
IT expenditure		(56,304)	(48,576)
Telephone expenditure		(51,178)	(50,644)
Professional fees		(490,452)	(913,514)
Finance costs		(1,127,713)	(328,351)
Loss on early settlement of convertible notes		(676,291)	-
Director Fees		(123,101)	(150,367)
Other expenses		(261,495)	(334,628)
Total Expenses		(6,138,711)	(6,444,403)
Loss before income tax		(5,780,755)	(5,671,250)
Income tax expense	5	-	-
Loss for the period		(5,780,755)	(5,671,250)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations		(2,568)	(856)
Other comprehensive income for the period		(2,568)	(856)
Total comprehensive loss for the period		(5,783,323)	(5,672,106)
Earnings per share			
Basic Loss per share	17	(0.04)	(0.05)
Diluted Loss per share	17	(0.04)	(0.05)

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

DOMACOM LIMITED
ABN 69 604 384 885

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	30 June 2019 $	30 June 2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	769,210	803,421
Receivables	7	471,476	654,509
Prepayments and other assets		140,845	103,374
TOTAL CURRENT ASSETS		1,381,531	1,561,304
NON-CURRENT ASSETS			
Property, plant and equipment	8	2,178	11,506
Intangible assets	9	2,041,736	2,370,513
TOTAL NON-CURRENT ASSETS		2,043,914	2,382,019
TOTAL ASSETS		3,425,445	3,943,323
LIABILITIES			
CURRENT LIABILITIES			
Payables	10	385,988	414,569
Provisions	11	294,643	232,339
Other financial liabilities	12	-	255,476
Borrowings	14	200,000	822,412
TOTAL CURRENT LIABILITIES		880,631	1,724,796
NON-CURRENT LIABILITIES			
Provisions	11	96,379	62,247
Borrowings	14	2,981,232	732,371
TOTAL NON-CURRENT LIABILITIES		3,077,611	794,618
TOTAL LIABILITIES		3,958,242	2,519,414
NET ASSETS		(532,797)	1,423,909
EQUITY			
Issued Capital	15	28,070,423	24,382,924
Reserves	16	1,481,916	1,363,076
Accumulated Losses		(30,085,136)	(24,322,091)
TOTAL EQUITY		(532,797)	1,423,909

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Issued Capital	Reserves	Accumulated Losses	Total
2019	$	$	$	$
Opening balance at 1 July 2018	24,382,924	1,363,076	(24,322,091)	1,423,909
Issue of share capital	3,273,461	-	-	3,273,461
Exercise of performance rights issued in prior periods	414,038	(414,038)	-	-
Expiry of performance rights issued in prior periods	-	(17,710)	17,710	-
Issue of convertible notes	-	553,156	-	553,156
	28,070,423	1,484,484	(24,304,381)	5,250,526
Transactions with owners recorded directly in equity:				
Loss for the period to 30 June 2019	-	-	(5,780,755)	(5,780,755)
Other comprehensive income	-	(2,568)	-	(2,568)
Balance at 30 June 2019	28,070,423	1,481,916	(30,085,136)	(532,797)

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

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

DOMACOM LIMITED
ABN 69 604 384 885

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	30 June 2019 $	30 June 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		277,424	161,476
Payments to suppliers and employees		(3,482,046)	(4,976,674)
Research and development tax offset received		558,324	952,925
Finance costs		(584,077)	(28,078)
Net cash used in operating activities	18	(3,230,375)	(3,890,351)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of other assets		-	12,040
Payments for plant and equipment		(926)	(1,090)
Payments for intangible assets		(735,338)	(616,126)
Payment for investment		(44,264)	-
Interest Received		6,168	15,362
Net cash used in investing activities		(774,360)	(589,814)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		3,110,758	150,000
Proceeds from convertible notes		2,750,850	2,003,961
Repayment of convertible notes		(1,561,171)	(105,000)
Proceeds from short term loans		650,000	530,000
Repayment of short term loans		(980,000)	-
Net cash provided by financing activities		3,970,437	2,578,961
Net decrease in cash and cash equivalents		(34,298)	(1,901,204)
Cash and cash equivalents at the beginning of period		803,421	2,705,481
Net foreign exchange difference		87	(856)
Cash and cash equivalents at the end of period	6	769,210	803,421

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

NOTE 1: GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

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

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

The financial statements for the year ended 30 June 2019 were approved and authorised for issue by the Board of Directors on 20 August 2019.

NOTE 2: NEW ACCOUNTING STANDARDS ISSUED

New Standards adopted at 1 July 2018

The following standards and interpretations have been recently issued and have been early adopted by the Group for the year ended 30 June 2019.

AASB 9 Financial Instruments

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

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

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

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

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

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

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

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

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

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

There has been no material impact on the transactions and balances recognised in 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

There is been no material impact on the transactions and balances recognised in the financial statements.

New Accounting Standards that are not yet effective and have not been adopted by the Group

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

Based on a detailed assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements for leases greater than 12 months, in particular:
- lease assets and financial liabilities on the balance sheet will increase respectively (based on the facts at the date of the assessment)
- there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES

(a) Overall considerations

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

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

Segmental Reporting

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

(b) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2019. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

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

(c) Business Combination

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

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

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

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation

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

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

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

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

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

(e) Revenue

To determine whether to recognise revenue, the Group follows a 5-step process:
1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due. Interest income is reported on an accruals basis. Revenue arises mainly from the investment management services provided to the DomaCom Fund. This is recognized at a point in time when the performance obligation is satisfied.

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 Income recognised from research and development incentive at a point in time.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(f) Operating expenses

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

(g) Intangible assets

Recognition of other intangible assets

Acquired intangible assets

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

Internally developed intangibles

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

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

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

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

Subsequent measurement

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

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

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

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

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

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

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

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

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

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

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

(i) Leased assets

Operating leases

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

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

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

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

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

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

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

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments

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

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

Trade and other 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 estimate is then based on the expected credit loss.

Classification and subsequent measurement of financial liabilities

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

Financial Liabilities

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

Compound Instruments

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

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

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

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(k) Financial Instruments (continued)

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

(l) Income taxes

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

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

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

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

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

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

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

(m) Cash and cash equivalents

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

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(n) Equity, reserves and dividend payments

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

Retained earnings includes all current and prior period retained profits.

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

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

(o) Employee benefits

Short-term employee benefits

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

Share-based payments

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

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

(p) Provisions, contingent liabilities and contingent assets

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

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

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

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

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(q) Goods and Services Tax (GST)

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

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

(r) Going Concern

As a developing business the Group has experienced a loss of $5,780,755 and negative operating cash flows as set out in the Consolidated Statement of Cash Flows. The Group has net working capital of $500,900 and a net liability position of $532,797.

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

Cash flow forecasts are presented and discussed at each Board Meeting. These include the forecast receipt of R&D tax claims ($394,237 expected to be received for the year ended 30 June 2019, resulting in a net inflow of $194,237 after repayment of the factored loan). In addition to the forecast growth in management fees from increased FUM and the R&D tax claim, DomaCom intends to raise additional capital as required.

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

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

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

Significant management judgements

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

NOTE 3: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

Capitalisation of internally developed software platform

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

Useful economic life of internally developed software platform

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

Fair value of derivatives and other financial instruments

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

As disclosed in Note 14, as at 30 June 2019 the carrying value of convertible notes were:

3 Year Convertible Note: $583,811 (2018: $548,540)
2 Year Convertible Note: $2,397,421 (2018: $nil)

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

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

The accounting for and valuation of the convertible securities is complex due to significant judgement involved in:
- Determining the appropriate accounting treatment; and
- Inputs into the fair value calculators of the embedded derivatives, including the volatility of the underlying share price.

Recognition of deferred tax assets

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

NOTE 4: REVENUE & OTHER INCOME

	2019	2018
	$	$
Management Fees	277,424	142,981
Income recognised from research and development incentive	74,364	290,309
Interest Income	6,168	15,362
Fair value gains and losses on derivatives	-	324,501
	357,956	773,153

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

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

NOTE 5: INCOME TAX EXPENSE

	Note	2019	2018
		$	$
Prima facie tax on loss before income tax		(5,780,755)	(5,671,250)
Prima facie tax on loss before income tax at 27.5% (2018: 27.5%)		1,589,708	1,559,594
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Non-deductible research and development expenses		202,218	169,433
Non-assessable research & development income		20,450	79,835
Other non-deductible expenses		3,548	(142,613)
Research and development tax grant received		(249,230)	(352,963)
Effect of different tax rate of subsidiaries operating in other jurisdiction (17%)		173	(4,050)
Unused tax losses not recognised as DTAs		(1,631,482)	(1,161,857)
Tax offsets not recognised for deferred tax		64,615	(147,379)
Income tax expense		-	-
Components of tax expense			
Temporary differences		-	-
		-	-

NOTE 5: INCOME TAX EXPENSE (CONTINUED)

Deferred taxes arising from temporary differences and unused tax losses calculated at a tax rate of 27.5% (2018: 27.5%) disclosed in the table below have not been recognised due to uncertainty over future taxable profits in the consolidated tax group.

	Note	2019 $	2018 $
Deferred tax assets not recognised at the reporting date:			
Unused tax losses at 27.5% (2018: 27.5%)		6,705,645	5,009,848
Equity raising and company restructure costs		152,682	248,886
Accruals & Provisions		132,527	101,416
		6,990,854	5,360,150
Tax Losses and deductible temporary differences for which no deferred tax asset has been recognised			
Unused tax losses		24,511,771	19,900,767
Equity raising and company restructure costs		555,207	905,040
Accruals & Provisions		481,915	368,784
		25,548,894	21,174,591

	2019 $	2018 $
NOTE 6: CASH AND CASH EQUIVALENTS		
Cash at bank	728,559	199,767
Cash on deposit	40,651	603,654
	769,210	803,421

Cash and cash equivalents carries a weighted average effective interest rate of 1.24% (2018: 1.5%).

NOTE 7: RECEIVABLES

CURRENT		
Amount receivable from R&D taxation rebate	394,237	558,324
Amount receivable from related party	6,221	14,798
Other debtors	71,018	81,387
	471,476	654,509

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

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

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

NOTE 8: PLANT AND EQUIPMENT

	Furniture & fittings	Plant and office equipment	Computer Equipment	Total
	$	$	$	$
Year ended 30 June 2019				
Opening net book amount	-	151	11,355	11,506
Additions	-	-	926	926
Depreciation charge	-	(121)	(10,133)	(10,254)
Closing net book value	-	30	2,148	2,178
At 30 June 2019				
Cost	9,677	3,633	68,990	82,300
Accumulated depreciation	(9,677)	(3,603)	(66,842)	(80,122)
Net book value	-	30	2,148	2,178
Year ended 30 June 2018				
Opening net book amount	387	440	31,551	32,378
Additions	-	-	1,090	1,090
Depreciation charge	(387)	(289)	(21,286)	(21,962)
Closing net book value	-	151	11,355	11,506
At 30 June 2018				
Cost	9,677	3,633	68,064	81,374
Accumulated depreciation	(9,677)	(3,482)	(56,709)	(69,868)
Net book value	-	151	11,355	11,506

NOTE 9: INTANGIBLE ASSETS

	Software platform	Computer software	Total
	$	$	$
Year ended 30 June 2019			
Opening net book amount at 1 July 2018	2,334,704	35,809	2,370,513
Amounts capitalised and additions	415,466	-	415,466
Amortisation	(733,184)	(11,059)	(744,243)
Closing net book value at 30 June 2019	2,016,986	24,750	2,041,736
At 30 June 2019			
Cost	4,247,406	130,057	4,377,463
Accumulated depreciation	(2,230,420)	(105,307)	(2,335,727)
Net book value	2,016,986	24,750	2,041,736
Year ended 30 June 2018			
Opening net book amount at 1 July 2017	2,604,015	62,074	2,666,089
Amounts capitalised and additions	348,111	-	348,111
Amortisation	(617,422)	(26,265)	(643,687)
Closing net book value at 30 June 2018	2,334,704	35,809	2,370,513
At 30 June 2018			
Cost	3,831,940	130,057	3,961,997
Accumulated depreciation	(1,497,236)	(94,248)	(1,591,484)
Net book value	2,334,704	35,809	2,370,513

Amortisation methods and useful lives

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

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

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

NOTE 10: PAYABLES

	2019	2018
	$	$
CURRENT		
Trade creditors	295,096	340,371
Sundry creditors and other accruals	90,892	74,198
	385,988	414,569

Payables are non-interest bearing.

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

	2019 $	2018 $
NOTE 11: PROVISIONS		
CURRENT:		
Employee entitlements	144,643	132,339
Other	150,000	100,000
	294,643	232,339
NON-CURRENT		
Employee entitlements	96,379	62,247

NOTE 12: OTHER FINANCIAL LIABILITIES

	2019 $	2018 $
Derivative liability - First Convertible Security	-	85,686
Derivative liability - Second Convertible Security	-	169,790
	-	255,476

The repayment of the Convertible Securities issued to The Australian Special Opportunity Fund as set out in Note 14 included the derecognition of First Convertible Security and Second Convertible Security embedded derivatives.

NOTE 13: EMPLOYEE REMUNERATION

	2019 $	2018 $
Wages, salaries	1,403,855	1,887,535
Pensions - defined contribution plans	119,785	180,758
Share based payments	-	512,083
Other employment benefits	125,540	101,006
	1,649,180	2,681,382

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

All Directors and eligible employees were granted performance rights in the prior year. No performance rights were issued during the year ended 30 June 2019.

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

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

NOTE 13: EMPLOYEE REMUNERATION (CONTINUED)

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

	Employee & director program (issued 2018)	**Employee & non-executive director program (issued 2015)**	**Executive director program (issued 2015)**
	Number of rights	Number of rights	Number of rights
Outstanding at 30 June 2017	-	1,106,628	213,929
Expired	-	-	(213,929)
Granted	5,603,389	-	-
Exercised	(496,260)	(969,699)	-
Outstanding at 30 June 2018	5,107,129	136,929	-
Expired	-	(35,419)	-
Exercised	(3,906,265)	(101,510)	-
Outstanding at 30 June 2019	1,200,864	-	-

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

	Employee & director program (issued 2018)	**Employee & non-executive director program (issued 2015)**
Grant date	5 April 2018	14 Dec 2015
Vesting period ends	5 April 2018	30-Nov-18
Share price at grant date	$0.093	$0.50
Volatility	-	-
Performance right life	Up to 3 years	Up to 3 years
Dividend yield	-	-
Risk free investment rate	-	-
Fair value at grant date	$0.093	$0.50
Exercise price at grant date	$0.00	$0.00
Exercisable from	5 April 2018	Variable
Exercisable to	5 April 2021	30 Nov 2018

In total, $nil (2018: $512,083) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to equity compensation reserve.

NOTE 14: BORROWINGS	2019 $	2018 $
CURRENT		
Short term loans	200,000	530,000
Convertible Security (January 2018)	-	196,164
Convertible Security (June 2018)	-	96,248
	200,000	822,412
NON-CURRENT		
3 Year Convertible Notes	583,811	548,540
2 Year Convertible Notes	2,397,421	-
Convertible Security (January 2018)	-	87,582
Convertible Security (June 2018)	-	96,249
	2,981,232	732,371

	Short Term Loans ($)	Convertible Securities ($)	3 year convertible notes ($)	2 year secured convertible notes ($)	Total ($)
Opening balance at 1 July 2018	530,000	476,243	548,540	-	1,554,783
Repayment of loans	(980,000)	-	-	-	(980,000)
Short terms loan	650,000	-	-	-	650,000
Repayment of convertible security	-	(1,552,328)	-	-	(1,552,328)
Issue of notes	-	-	-	2,396,844	2,396,844
Cost of issuing notes	-	-	-	(174,899)	(174,899)
Interest expense	-	399,794	35,271	175,476	610,541
Loss on early settlement of convertible notes	-	676,291	-	-	676,291
Closing balance as at 30 June 2019	200,000	-	583,811	2,397,421	3,181,232

<u>Short Term Loans</u>

The Company entered into a $200,000 loan secured on the Research & Development tax incentive claim for the year ended 30 June 2019 at an interest rate of 1.25% per month. The loan will be repaid on receipt of the Research & Development claim.

NOTE 14: BORROWINGS (CONTINUED)

Convertible Securities issued to The Australian Special Opportunity Fund

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

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

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

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

On 12 December 2018 the Company repaid $1,341,171 to Lind to settle the remaining balance of the First and Second Convertible Securities resulting in the recognition of a loss on early settlement of $676,291.

3 Year Convertible Notes

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

2 Year Secured Convertible Notes

$2,950,000 was raised through the issue of secured 2 Year Convertible Notes on 7 December 2018 to Thundering Herd Fund No.1 and Thundering Herd Pty Ltd with an annual coupon of 15% payable quarterly in arrears. The holder of each note has the right to convert into one share at a conversion price of $0.15. The notes have been accounted for partly as debt and partly as equity. The issue costs are allocated to debt and equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15: ISSUED CAPITAL	2019 $	2018 $
Ordinary shares fully paid	28,070,423	24,382,924

Ordinary shares	**No.**	**$**
2019		
Opening balance	116,603,865	24,382,924
Ordinary shares fully paid issued during the period	44,713,671	3,943,067
Share issue cost	-	(255,568)
Closing balance as at 30 June 2019	161,317,536	28,070,423
2018		
Opening balance	111,471,240	23,754,418
Ordinary shares fully paid issued during the period	5,132,625	634,211
Share issue cost	-	(5,705)
Closing balance as at 30 June 2018	116,603,865	24,382,924

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

	2019 $	2018 $
Deferred debit balance of franking account at the beginning of the reporting period	5,256,036	4,697,712
Deferred debit that will arise from the receipt of the R&D tax offset for the current year	394,237	558,324
Balance of franking account adjusted for deferred debits arising from past R&D offsets received and expected R&D tax offset to be received for the current year	5,650,273	5,256,036

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

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

NOTE 16: RESERVES

	2019	2018
	$	$
Share based payment reserve	249,600	249,600
Equity Compensation Reserve	111,680	543,428
Convertible Note Reserve	630,127	76,971
Equity Option Reserve	482,295	482,295
Foreign Currency Translation Reserve	8,214	10,782
	1,481,916	1,363,076

2019	Share based payment reserve ($)	Equity Compensation Reserve ($)	Convertible Note Equity Reserve ($)	Equity Option Reserve ($)	Foreign Currency Translation Reserve ($)
Opening balance	249,600	543,428	76,971	482,295	10,782
Exercise of performance rights	-	(414,038)	-	-	-
Expired performance rights issued in prior periods	-	(17,710)	-	-	-
Issue of convertible note	-	-	553,156	-	-
Translation of foreign operation net assets and results	-	-	-	-	(2,568)
Closing balance	249,600	111,680	630,127	482,295	8,214

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

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

NOTE 17: EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company (DomaCom Limited) as the numerator (i.e. no adjustments to profit were necessary in 2019 or 2018). The weighted average number of shares used in the calculation of the earnings per share is as follows:

	2019	2018
Amounts in thousands of shares:		
- weighted average number of shares used in the basic earnings per share	133,229	113,450

NOTE 18: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	$	$
Loss for the period	(5,780,755)	(5,671,250)
Adjustments for:		
Depreciation and amortisation	754,496	665,650
Share based payments	-	512,083
Net interest received included in investing and financing	(6,168)	(80,503)
Research & development grant offset against intangible assets	319,872	268,015
Net foreign exchange (gain)/loss	(341)	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	217,827	463,752
Increase/(decrease) in trade payable and accruals	1,168,258	(145,852)
Increase/(decrease) in employee provisions	96,436	97,754
Net cash used by operating activities	(3,230,375)	(3,890,351)

NOTE 19: AUDITOR REMUNERATION

	$	$
Audit and review of financial statements		
Auditors of DomaCom Limited - Grant Thornton Australia	74,800	67,000
Overseas Grant Thornton network firms	12,467	11,856
Remuneration from audit and review of financial statements	87,267	78,856
Other Services		
Auditors of DomaCom Limited - Grant Thornton Australia		
- taxation compliance	10,500	10,000
- other	2,764	4,962
Total other service remuneration	13,264	14,962
Total auditor's remuneration	100,531	93,818

NOTE 20 RELATED PARTY TRANSACTIONS	2019 $	2018 $
Key management personnel compensation		
Salaries	463,363	516,639
Total short term employee benefits	463,363	516,639
Long service leave	10,857	9,625
Total other long-term benefits	10,857	9,625
Pensions - defined contribution plans	44,019	49,081
Total post-employment benefits	44,019	49,081
Share based payments	-	147,075
Total remuneration	518,239	722,420

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

Kathryn Naoumidis is a related party to Arthur Naoumidis and received a salary of $40,002 (2018: $40,002), pension contributions of $3,800 (2018: $3,800) and share based payments of $nil (2018: $7,111). In addition entitlement to Long Service Leave of $774 accrued ($2018: $693).

Transactions between the Group and its related parties

During the financial year ended 30 June 2019, the following transactions occurred between the Group and its other related parties:

<u>DomaCom Australia</u>

DomaCom Australia Limited, a controlled entity of the Company, received management fees for managing the DomaCom Fund. Management fees recognised during the financial year were $277,424 (2018: $142,981).

DomaCom Australia Limited held cash in the DomaCom Fund. Interest earned during the financial year was $1,151 (2018: $13,165). At 30 June 2019, cash held in the DomaCom Fund amounted to $651 (2018: $563,654).

On 25 June 2019 DomaCom Australia paid $44,162 to purchase 43,000 units in DomaCom Property Sub-Fund DMC0114AU 1/388-390 Burwood Highway from an employee of DomaCom Australia at an arm’s length price of $1.027. At 30 June 2019 the investment was revalued to $44,264.

DomaCom Australia had an unsecured receivable balance with the DomaCom Fund of $6,221 (2018: $14,798) representing upfront sub-fund set-up costs to be subsequently reimbursed by the DomaCom Fund.

<u>DomaCom Loan Administration Pty Ltd</u>

DomaCom Loan Administration Pty Ltd is 100% owned by DomaCom Limited and the Trustee of the DomaCom Loan Fund. During the year DomaCom Loan Sub-Funds DMC0160AU, DMC0166AU, DMC0168AU and DomaCom Mortgage Sub-Fund DMC0170AU that form part of the DomaCom Fund entered into separate loan agreements with DomaCom Loan Administration Pty Ltd acting as Trustee of the DomaCom Loan Fund totaling $4,007,000. Simultaneously DomaCom Loan Administration Pty Ltd acting as Trustee of the DomaCom Loan Fund entered into loan agreements with DomaCom Property Sub-Funds DMC0161AU, DMC0165AU, DMC0167AU and DMC0170AU for the same amounts. Interest totaling $72,055 was paid from the DomaCom Property Sub-Funds to the DomaCom Loan sub-funds and DomaCom Mortgage Sub-Fund through the DomaCom Loan Fund for these transactions. In addition $52,140 interest was paid from the DomaCom Property Sub-Fund DMC0162AU through the DomaCom Loan Fund to the DomaCom Loan sub-fund DMC0163AU for a loan of $948,000 entered into in the prior financial year. As back-to-back transactions the DomaCom Loan Fund did not recognize loan assets or loan liabilities, interest income or expense with the DomaCom Loan sub-funds or DomaCom Property Sub-Funds.

NOTE 21: CONTINGENT LIABILITIES

The Group has been supporting a case in the Federal Court of Australia to consider the application of Superannuation legislation to the DomaCom Fund. The applicant in the proceeding sought confirmation whether the Superannuation legislation allows Self-Managed Superannuation Funds (SMSFs) to invest in units allocated to a DomaCom sub-fund that holds a residential property where the tenant of that underlying property is a related party of the SMSF. The hearing took place on 27-28 November 2017. On 14 December 2017 the Federal Court did not make a declaration in favour of the applicant. The applicant appealed against the decision and the case was reheard in May 2018. On 10 August 2018 the judge handed down their decision. The Court held that the primary judge was incorrect in concluding that the leasing of the residential property held by the sub-fund to a child of a member of the sub-fund was a breach of the ‘sole purpose test’. The Court held that the primary judge was correct to conclude that the units held constituted an investment in a ‘related trust’. Court issued instructions as to how the costs of the proceeding be allocated. A portion of the ATO’s costs relating to the initial proceeding and appeal will be covered by the Group, whereas the ATO will pay all of the costs of the Administrative Appeal Tribunal appeal. The net amount has yet to be determined and exists as a contingent liability.

	2019	2018
NOTE 22: COMMITMENTS	**$**	**$**
Operating lease commitments:		
No later than 12 months	11,142	133,173
Between 12 months and 5 years	-	11,142
Greater than 5 years	-	-
Minimum lease payments	11,142	144,315

Operating leases entered into by the Group relate to its office rental obligations of the Melbourne Office.

NOTE 23: INTERESTS IN SUBSIDIARIES

Name of Subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group
DomaCom Australia Limited	Australia	Provision of Investment Management Services and development of platform to fractionalise assets	100%

NOTE 23: INTERESTS IN SUBSIDIARIES (CONTINUED)

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

NOTE 24: FINANCIAL INSTRUMENTS	**2019**	**2018**
	$	**$**
Categories of financial instruments		
Financial Assets		
Cash and cash equivalents	769,210	803,421
Trade and other receivables #	471,476	654,509
Other Assets	44,264	-
	1,284,950	1,457,930
Financial Liabilities		
Trade and other payables #	295,096	340,371
Derivative financial instruments	-	255,476
Current Borrowings	200,000	822,412
Non-Current borrowings	2,981,232	732,371
	3,476,328	2,150,630

Carried at amortised cost and repayable within 6 months

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised above. The main types of risks are liquidity risk, credit risk and market risk. The Company's risk management is coordinated through the Chief Compliance and Risk Officer, in close cooperation with the Board of Directors (the "Board") and the Chief Financial Officer.

Liquidity risk analysis

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

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk analysis (continued)

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

	Within 6 months ($)	6-12 months ($)	1-5 years ($)
30 June 2019			
Trade payable and other payables	295,095	-	-
Short term loans	200,000	-	-
3 Year Convertible Notes	-	-	650,000
2 Year Convertible Notes	-	-	2,950,000
30 June 2018			
Trade payable and other payables	340,371	-	-
Short term loans	530,000	-	-
Convertible Notes	-	-	650,000
Convertible Security (January 2018)	378,000	378,000	399,000
Convertible Security (June 2018)	157,500	157,500	315,000

Credit Risk Analysis

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

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

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

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

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

Market risk analysis

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

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

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

Market risk analysis (continued)

	2019	2018
Foreign Currency Sensitivity	$	$
SGD		
Financial assets	1,128	1,678
Financial liabilities	-	-
Total Exposure	1,128	1,678

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 2019 (2018: 10%).

If the $SGD had strengthened against the $AUD by 10% (2018: 10%) this would have had the following impact through a decrease in the Foreign Currency Translation Reserve:

	2019	2018
	$	$
Equity	103	153

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

Interest Rate Sensitivity

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

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2018: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Interest Rate Sensitivity	Loss for the period	Loss for the period
	$	$
	+1%	-1%
30 June 2019	(4,549)	4,549
30 June 2018	(12,606)	12,606

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

Fair value Measurements

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

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

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

Financial assets/(liabilities)	Fair value 30 June 2019 ($)	Fair value 30 June 2018 ($)	Fair value hierarchy	Valuation technique(s) and key input(s)
43,000 Units held in the DMC0114AU Burwood Highway DomaCom Property Sub-Fund	44,264	-	Level 1	Quoted price for units in DomaCom Property Sub-Fund
Embedded derivative liability with the following features: DomaCom option to repay security in shares, Lind option to have securities repaid in shares & DomaCom's option to have securities repaid early - First Convertible Security	-	(85,686)	Level 2	Black Scholes and Monte Carlo pricing models, using observable share price, observable risk free rate and observable share price volatility
Embedded derivative liability with the following features: DomaCom option to repay security in shares, Lind option to have securities repaid in shares & DomaCom's option to have securities repaid early - Second Convertible Security	-	(169,790)	Level 2	Black Scholes and Monte Carlo pricing models, using observable share price, observable risk free rate and observable share price volatility

NOTE 25: PARENT ENTITY INFORMATION	**2019**	**2018**
	$	**$**
Current Assets	880,150	558,324
Total Assets	2,692,640	3,250,373
Current Liabilities	244,205	838,617
Total Liabilities	3,225,437	1,826,464
Net Assets	(532,797)	1,423,909
Issued Capital	28,070,423	24,382,924
Share based payment reserve	249,600	249,600
Equity compensation reserve	111,680	543,428
Convertible note equity reserve	630,126	76,971
Equity option reserve	482,295	482,295
Retained earnings	(24,311,309)	(18,639,203)
Current earnings	(5,765,612)	(5,672,106)
Total Equity	(532,797)	1,423,909

NOTE 26: SUBSEQUENT EVENTS

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

- The Group's Research and Development tax incentive claim has been registered with AusIndustry and an amount of $394,237 will be claimed.

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

DOMACOM LIMITED
ABN 69 604 384 885

DIRECTORS' DECLARATION

In the opinion of the directors of DomaCom Limited

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

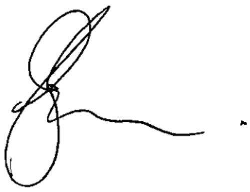
i giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the financial period ended on that date; and

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

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

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

Signed in accordance with a resolution of the directors:



Grahame D Evans
Chairman

Arthur Naoumidis
Director

20 August 2019

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 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 Report

To the Members of DomaCom Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of DomaCom Limited (the Company) and its Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Grant Thornton

Material uncertainty related to going concern

We draw attention to Note 3(r) to the financial statements, which indicates that the Group incurred a loss of $5,780,755 and negative operating cash flows during the year ended 30 June 2019, and as of that date, the Group has effective net working capital of $500,900 and a net liability position of $532,797. As stated in Note 3(r), these events or conditions, alongside other matters as set forth in Note 3(r), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Capitalisation of Software development costs – Note 3(g), Note 9	
The Group capitalises costs that are directly attributable to the development of intangibles assets in accordance with AASB 138 *Intangible Assets*. AASB 138 provides that an entity may only capitalise costs that meet specific capitalisation criteria. This area is a key audit matter due to the inherent subjectivity required in determining whether the costs capitalised meet the requirements of AASB 138 *Intangible Assets*.	Our procedures included, amongst others: • enquiring with management to obtain and document an understanding of their process and the design of controls relating to the capitalisation of software development costs and their compliance with AASB 138; • evaluating the entity's position that the underlying assets is in the development phase, as well as the entity's ability to demonstrate technical feasibility, that the asset will generate probable future economic benefits, the ability to bring the asset to completion for use or sale, amongst other requirements of AASB 138; • obtaining supporting workings and on a sample basis, agreeing internal salary costs and other costs capitalised to supporting documentation; • assessing the eligibility of expenditure capitalised for compliance with development recognition requirements under AASB 138; • assessing the allocation of costs between separately identifiable intangible assets; and • comparing to the R&D incentive claim to assess appropriateness of the breakout between capitalised R&D costs and expensed costs, as the period in which the R&D incentive is recognised will be matched to the period of expense.

Grant Thornton

Intangible asset – Impairment – Note 3(g), Note 9	
Given the nature of the industry in which the Group operates, there is a risk that there could be a material impairment to goodwill and intangible asset balances. AASB 136 *Impairment of Assets* requires that an entity shall assess at the end of each reporting period possible internal or external indicators of impairment. If any indication exists, the entity shall estimate the recoverable amount of the asset. This area is a key audit matter due to the inherent subjectivity required in measuring the recoverable amount.	Our procedures included, amongst others: • obtaining from management a paper documenting their assessment relating to the Group's Cash Generating Unit ("CGU") and potential impairment indicators; • evaluating management's assessed carrying value of the intangible asset calculated based on its expected fair value less cost to sell; and • assessing the adequacy of the relevant disclosures in the financial statements.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's financial report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the financial report

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

Grant Thornton

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 11 to 14 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of DomaCom Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 20 August 2019

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 19 August 2019.

Substantial shareholders

	Number of shares held
ARTHUR NAOUMIDIS & KATHRYN NAOUMIDIS <NAOUMIDIS A/C>	16,240,285

Voting rights

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

Performance Rights: No voting rights.

Distribution of equity security holders

Holdings Ranges	Ordinary Shares	Performance Rights	Options
1-1,000	10	-	-
1,001-5,000	192	-	-
5,001-10,000	133	-	-
10,001-100,000	272	-	-
100,001-9,999,999,999	199	4	1
Totals	**806**	**4**	**1**

DOMACOM LIMITED
ABN 69 604 384 885
SHAREHOLDER INFORMATION

Twenty (20) largest shareholders	Number of shares held	% of issued shares
MR ARTHUR NAOUMIDIS & MRS KATHRYN MARGARET NAOUMIDIS <NAOUMIDIS A/C>	16,240,285	10.04%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	6,896,584	4.26%
UCAN NOMINEES PTY LTD <COWEN FAMILY A/C>	5,464,111	3.38%
WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	5,247,222	3.24%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	5,210,982	3.22%
SONENBERG SUPERANNUATION PTY LTD <N SONENBERG SUPER FUND A/C>	4,663,333	2.88%
CITICORP NOMINEES PTY LIMITED	4,133,448	2.55%
TAYCO INVESTMENTS PTY LTD	3,158,531	1.95%
MR GRANT RAYMOND SNIBSON & MRS SNIBSON <SNIBSON SUPER FUND A/C>	3,083,333	1.91%
CATHRYN NOLAN & STEPHEN JOYCE <NOLAN JOYCE FAMILY A/C>	3,037,982	1.88%
NO TAX BILL PTY LTD <ACANTO SUPER FUND A/C>	3,000,000	1.85%
GOLFER'S DELIGHT PTY LTD <GRAHAM GEORGE GORMAN S/F A/C>	2,725,000	1.68%
ARNI SUPERANNUATION SERVICES PTY LTD <ARNI SUPER FUND A/C>	2,637,740	1.63%
BOVINGDON RETIREMENT FUND PTY LTD <BOVINGDON RET FUND A/C>	2,613,835	1.62%
TORONTO COVE PTY LTD <TORONTO COVE SUPER FUND A/C>	2,562,500	1.58%
GRAYSON NOMINEES PTY LTD <G R SNIBSON FAMILY A/C>	2,216,667	1.37%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,157,756	1.33%
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	2,140,145	1.32%
MR WARREN GIBSON	1,927,407	1.19%
RACT SUPER PTY LTD <RAND SUPER FUND A/C>	1,705,656	1.05%
Total Securities of Top 20 Holdings	**80,822,517**	49.95%
Total of Securities	**161,793,112**	

Unissued equity securities

Number of performance rights issued under the Employee Director programs: 725,288.

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

Securities exchange

The Company is listed on the Australian Securities Exchange.

DOMACOM LIMITED
ABN 69 604 384 885
CORPORATE INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 6
99 Queen Street
Melbourne
VIC 3000

Tel: 01300 365 930

DIRECTORS

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

COMPANY SECRETARY

Philip JR Chard

SHARE REGISTRY

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

AUDITOR

Grant Thornton
Collins Square
727 Collins Street
Melbourne
VIC 3008