

**DomaCom Fund**  
ARSN 167 020 626

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2019**

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ARSN 167 020 626

## **Annual Financial Report**

**For the year ended 30 June 2019**

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

## Directors' Report

The Directors of Melbourne Securities Corporation Limited (ABN 57 160 326 545, AFSL 428289), the Responsible Entity of DomaCom Fund, present their report together with the financial statements of the Fund for the year ended 30 June 2019 and the auditor's report thereon.

### 1 Directors

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

Michael Peter Fleming

Matthew James Fletcher

Andrew Georgiou

### 2 Principal activities

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

### 3 Review and results of operations

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

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

	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
Net operating loss before financing costs attributable to unitholders	(2,479,640)	(336,643)
Distribution paid and payable	684,958	421,299

## Directors' Report (continued)

### 4 Significant changes in state of affairs

The Fund has added a new asset class during the financial year in review, giving investors the opportunity to invest in debt sub-funds.

### 5 After Balance Date Events

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

### 6 Environmental Issues

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

### 7 Indemnification and insurance of Officers and Auditors

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

### 8 Options

No options over issued units or interests in the Fund were granted during or since the end of the year and there were no options outstanding at the date of this report. The directors and executives of the Responsible Entity hold no options over interests in the Fund.

### 9 Proceedings on Behalf of the Fund

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

### 10 Fees, Commissions or other charges by the Responsible Entity or Related Parties of the Responsible Entity

All fees payable to the Responsible Entity or its related parties are detailed in Note 13 to the financial statements.

### 11 Buy Back Arrangements

As detailed in the Fund's Constitution the Responsible Entity is not under any obligation to buy back, purchase or redeem units from unitholders.

### 12 Value of Fund Assets

The total value of the Fund's assets at the end of the reporting period is \$55,352,355 (2018: \$35,361,678).

### 13 Number of Interests on Issue

At 30 June 2019 the number of units issued in the Fund was 60,569,577 (2018: 44,281,707). During the year 5,581,198 units were redeemed (2018: 6,749,304).

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

This declaration is made in accordance with a resolution of the Board of Directors of Melbourne Securities Corporation Limited, pursuant to s303(5) of the Corporations Act 2001.



Director  
Melbourne Securities Corporation Limited

Melbourne  
24-Sep-19

## Auditor's Independence Declaration

### To the Directors of DomaCom Fund

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of the DomaCom Fund 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, 24 September 2019

## Statement of Profit or Loss and Other Comprehensive Income

	Note	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
<b>Revenue and other income</b>			
Rental and other property income		837,521	484,096
Interest income		545,639	217,777
Changes in inventory of development assets		(1,366,151)	-
Change in fair value of investment properties	3 (a), 7	(1,543,238)	(499,451)
<b>Total revenue and other income</b>		<b>(1,526,229)</b>	<b>202,422</b>
<b>Expenses</b>			
Property outgoings		460,026	245,816
Management fees	13	298,436	173,931
Legal and professional fees		43,640	25,297
Finance Costs		151,309	94,021
<b>Total expenses</b>		<b>953,411</b>	<b>539,065</b>
<b>Operating profit/(loss) for the year</b>		<b>(2,479,640)</b>	<b>(336,643)</b>
<b>Finance costs attributable to unit holders</b>			
Distributions to unitholders	12	(684,958)	(421,299)
Decrease/(increase) in net assets attributable to unitholders	10	3,164,598	757,942
<b>Operating profit/(loss) for the year</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year attributable to unitholders</b>		<b>-</b>	<b>-</b>

*The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

## Statement of Financial Position

	Note	As at 30 June 2019 \$	As at 30 June 2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	10,738,239	13,563,743
Trade and other receivables	5	86,298	2,769
Loan Receivable	6	2,007,000	-
Other assets		233,087	330,827
<b>Total current assets</b>		<b>13,064,624</b>	<b>13,897,339</b>
<b>Non-current assets</b>			
Loan Receivable	6	948,000	948,000
Inventory of development assets		3,829,419	3,866,457
Investment properties	7	27,060,312	16,649,882
Mortgage Securities	8	10,450,000	-
<b>Total non-current assets</b>		<b>42,287,731</b>	<b>21,464,339</b>
<b>Total assets</b>		<b>55,352,355</b>	<b>35,361,678</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Distributions payable	12	12,030	13,891
Trade and other payables	9	115,189	98,753
Loan payable	6	4,007,000	394,640
<b>Total current liabilities</b>		<b>4,134,219</b>	<b>507,284</b>
<b>Non-current liabilities</b>			
Loan payable	6	948,000	948,000
<b>Total non-current liabilities</b>		<b>948,000</b>	<b>948,000</b>
<b>Total liabilities</b>		<b>5,082,219</b>	<b>1,455,284</b>
<b>Net assets attributable to unit holders - liability</b>	10	<b>50,270,136</b>	<b>33,906,394</b>
<b>Liabilities attributable to unit holders</b>		<b>(50,270,136)</b>	<b>(33,906,394)</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>

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

**Statement of Changes in Net Assets Attributable to Unitholders**

	Note	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
<b>Beginning balance</b>		33,906,394	22,729,990
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Applications / Reinvestments	10	25,109,538	18,683,650
Redemptions	10	(5,581,198)	(6,749,304)
Decrease in net assets attributable to unitholders	10	(3,164,598)	(757,942)
<b>Total net assets attributable to unitholders at the end of the period</b>	10	<b>50,270,136</b>	<b>33,906,394</b>

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



## Statement of Cash Flows

		Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
<b>Cash flows from operating activities</b>			
Rental and other property income received		836,637	480,279
Interest received		545,639	217,777
Property outgoings paid		(475,709)	(188,446)
Interest Paid		(151,309)	(17,314)
Other expenses paid		(393,862)	(244,067)
<b>Net cash provided by operating activities</b>	11	<b>361,396</b>	<b>248,229</b>
<b>Cash flows from investing activities</b>			
Payments for purchase of investment properties		(13,335,341)	(8,933,337)
Payments for purchase of mortgage securities		(10,450,000)	-
Receipts from disposal of investment properties		151,560	75,000
<b>Net cash used in investing activities</b>		<b>(23,633,781)</b>	<b>(8,858,337)</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		25,109,538	18,683,651
Proceeds from borrowings		1,605,360	394,640
Payments for redemptions by unitholders		(5,581,198)	(6,749,304)
Distributions to unitholders		(686,819)	(415,537)
<b>Net cash provided by financing activities</b>		<b>20,446,881</b>	<b>11,913,450</b>
Net increase in cash and cash equivalents		(2,825,504)	3,303,342
Cash and cash equivalents at the beginning of the year		13,563,743	10,260,401
<b>Cash and cash equivalents at the end of the year</b>	4	<b>10,738,239</b>	<b>13,563,743</b>

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

## 1 Significant accounting policies

### Reporting Entity

The financial statements are for the entity The DomaCom Fund ('the Fund') as an individual entity. The Fund is an unlisted registered scheme established and domiciled in Australia and operates as a for profit entity. The Responsible Entity ('RE') of the Fund is Melbourne Securities Corporation Limited. The Fund was registered on 13 December 2013.

The Fund has a limited life under its constitution, such that it must terminate no later than 2094.

### Basis of preparation

The financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

The financial statements have been prepared on the basis of historical cost, except for the revaluation of investments and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. All amounts are presented in Australian dollars, unless otherwise noted.

#### *Compliance with IFRSs*

The financial statements and Notes of the Fund also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

#### (a) Investment properties

Investment property is property which is held to earn rental income and capital appreciation.

Investment properties are carried at fair value determined either by the directors or independent valuers. Changes to fair value are recorded in profit or loss.

The fair value of investment properties excludes any accrued operating lease income or lease incentives recognised as a receivable in accordance with AASB 117 Leases.

Property purchases are recognised when the Fund has entered into an unconditional purchase contract, and the majority of the significant risks and rewards of ownership have been transferred to the Fund. Property disposals are recorded when the Fund has entered into an unconditional sales contract, and the majority of the significant risks and rewards of ownership have been transferred to the buyer. Transfers of risks and rewards vary depending on the individual terms of the contracts.

#### (b) Inventories

##### Property development

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of sales in the ordinary course of business. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value. Where the net realisable value of inventory is less than cost, an impairment expense is recognised in the consolidated statement of profit or loss and other comprehensive income. Reversals of previously recognised impairment charges are recognised in the statement of profit or loss and other comprehensive income such that the inventory is always carried at the lower of cost and net realisable value. Cost includes the purchase consideration, development costs and holding costs such as borrowing costs, rates and taxes.

## 1 Significant accounting policies (continued)

### (c) Mortgage Securities

#### (a) Classification

The Fund's investments in Mortgage Securities are classified as at fair value through profit or loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such as basis.

#### (b) Recognition and derecognition

The Fund recognises financial assets on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets from this date. Financial assets are derecognised when the right to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership.

#### (c) Measurement

Subsequent to initial recognition, all financial assets held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of profit or loss and other comprehensive income. Fair value of Mortgage Funds is based on the net asset value determined and advised by the relevant external manager.

## **1 Significant accounting policies (continued)**

### **(d) Revenue**

Rental income from operating leases is recognised as income on a straight-line basis over the lease term. Where a lease has fixed annual increases, the total rent receivable over the operating lease is recognised as revenue on a straight-line basis over the lease term. This results in more income being recognised early in the lease term and less late in the lease term compared to the lease conditions. The difference between the lease income recognised and actual lease payments received is included in receivables.

Lease incentives provided by the Fund to lessees are excluded from the measurement of fair value of investment property and are included in receivables. The amounts are recognised over the lease periods as rental income.

Contingent rents based on the future amount of a factor that changes other than with the passage of time, including CPI linked rental increases and turnover rents, and are only recognised when contractually due.

Interest income is recognised in profit or loss on a time basis using the effective interest rate method.

Distribution income is recognised when the right to receive a distribution has been established.

Other income is recognised when the right to receive the revenue has been established.

All income is stated net of the amount of goods and services tax (GST).

### **(e) 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 Australian Taxation 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 expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

### **(f) Receivables and payables**

Receivables are recorded at fair value and subsequently at amortised cost. Receivables may include amounts for rent and interest.

With effect from 1 July 2018, financial assets, other than those at fair value through profit or loss, shall recognise a loss allowance by applying the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all receivables.

Payables represent liabilities for goods and services provided to the Fund prior to the end of the financial year which are unpaid.

Normal commercial terms and conditions are applied to receivables and payables.

### **(g) Income tax**

Under current legislation the Fund is not liable for income tax provided its taxable income is fully distributed to unitholders.

The Fund elected to enter the Attribution Managed Investment Trust (AMIT) Regime under Division 276 of the Income Tax Assessment Act 1997, effective 1 July 2015. The purpose of this election was to ensure that the tax treatment of the distributions paid to each unitholder accurately reflects the nature of the profits generated by the portion of that Fund's assets in which the unitholder has an economic interest.

### **(h) Distributions**

In accordance with the Fund's Constitution, the Fund distributes its distributable (taxable) income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of profit or loss and other comprehensive income as finance costs attributable to unitholders.

## 1 Significant accounting policies (continued)

### (i) Increase/(decrease) in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in profit or loss as finance costs.

### (j) Functional currency

The Fund has a functional currency of Australian dollars.

### (k) Critical judgements and significant accounting estimates

The preparation of financial statements requires the directors of the Responsible Entity to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### (i) Fair value estimation

Investments in securities that are unlisted, and investment properties, are carried at values that are based on assumptions and estimates. If any of these assumptions or estimates were not correct this could have a material impact on the carrying amounts in the statement of financial position.

#### (ii) Recognition of unconditional property purchases and disposals

Property purchases, including associated acquisition costs, are recognised when the Fund has entered into an unconditional purchase contract, and the majority of the significant risks and rewards of ownership have been transferred to the Fund.

Property disposals, including associated disposal costs, are recorded when the Fund has entered into an unconditional sales contract, and the majority of the significant risks and rewards of ownership have been transferred to the buyer.

Transfers of risks and rewards vary depending on the individual terms of the contracts.

### (l) New and amended standards adopted by the Fund

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

#### *AASB 9 Financial Instruments (and applicable amendments)*

*(a) Classification and measurement of existing financial assets as at 1 July 2018.* The directors have reviewed and assessed the Fund's existing financial assets based on the facts and circumstances that existed at that date and have concluded that the application of AASB 9 has had no material impact on the classification or measurement of the Fund's financial assets. Financial assets that were measured at fair value through profit or loss (FVTPL) or amortised cost under AASB 139 continue to be measured at fair value or amortised cost under AASB 9.

*(b) Impairment of existing financial assets.* The directors have reviewed and assessed the Fund's existing financial assets and trade receivables for impairment using the AASB 9 expected credit loss model as opposed to the AASB 139 incurred credit loss model and have concluded that the application of AASB 9 has had no material impact on the Fund's impairment allowance required for existing financial assets and trade receivables.

#### *AASB 15 Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are rental, interest, and gains on investment properties held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 has had no significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

## 1 Significant accounting policies (continued)

### (m) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

#### *AASB 16 Leases (effective from 1 January 2019)*

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 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 not have a material impact on the transactions and balances recognised in the financial statements .

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

## 2 Financial risk management

### (a) Objectives, strategies, policies and processes

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The management of these risks is conducted by the Fund's Investment Manager who manages the Fund's assets in accordance with its investment

A financial risk management framework has been established by the Fund's Investment Manager who conducts regular assessment processes in order to ensure that procedures and controls are adequately managing the risks arising from the Fund's investment activities.

This framework includes:

- Integrated computer systems and processes with checks and balances;
- Policies and procedures covering operations;
- Post-trade investment compliance monitoring;
- Segregation of the dealing and investment management function from the administration and settlement function; and
- An independent service provider for the valuation of securities.

The Responsible Entity also has in place a framework to identify, control, report and manage compliance and business obligations, and to ensure that the interests of unitholders in the Fund are protected.

Compliance is integrated into the day to day operations of the Responsible Entity.

## 2 Financial risk management (continued)

### (a) Objectives, strategies, policies and processes (continued)

This framework includes:

- Policies and procedures,
- Committee and board reporting,
- Staff training,
- Formal service provider agreements,
- Compliance reporting by the Investment Manager, Investment Administrator and Custodian ( the "Service Providers"),
- Regular monitoring visits of Service Providers, and
- Monitoring of compliance in accordance with program.

The Responsible Entity is ultimately responsible for compliance monitoring.

The Responsible Entity has established a Compliance Committee which is responsible for developing and monitoring the Fund's compliance monitoring policies, including those related to its activities. Compliance monitoring policies and systems are reviewed periodically to reflect changes in market conditions and the Fund's activities.

The Responsible Entity undertakes periodic oversight reviews of the Fund's service providers, focusing on the general control environment and investment management, administration and custodial functions as provided to the Responsible Entity of the Fund. This is conducted to ensure that the service providers continue to satisfy their obligations as detailed within the relevant service agreement entered into with the Responsible Entity.

### (b) Market risk

Market risk embodies the potential for both loss and gains and includes interest rate risk and other price risk. The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The Fund's market risk is managed on a daily basis by the Investment Manager in accordance with the investment guidelines as outlined in the Fund's Constitution.

### (c) Credit risk

Credit risk is the risk that a party to the financial instrument will cause a financial loss to the Fund by failing to discharge an obligation.

Tenants for each of the properties held by the Fund are assessed for creditworthiness before commencing a lease, and if necessary rental guarantees are sought before tenancy is approved. The Investment Manager also performs a detailed review of both related and other parties before approving investments / advancement of funds. This is performed to ensure that they will be able to meet quoted distributions, as well as interest and principal repayments.

All receivables are monitored by the Investment Manager on a monthly basis. If any amounts owing are overdue these are followed up and if necessary, allowances are made for debts that are doubtful.

At reporting date, there are no issues with the credit quality of financial assets that are neither past due or impaired, and all amounts are expected to be received in full.

### (d) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial liabilities as they fall due.

The Fund manages liquidity risk by managing its holding cash in its operating account to meet creditors' claims as they fall due.

## 2 Financial risk management (continued)

### (d) Liquidity risk (continued)

The following table sets out the maturity analysis that shows the remaining contractual maturities.

As at 30 June 2019	Less than 6 months \$	6 months to a year \$	1-5 years \$	5+ years \$
Distributions payable	12,030	-	-	-
Management fees payable	793	-	-	-
Other payable	114,396	-	-	-
Loan Payable	1,007,000	3,000,000	948,000	-
<b>Total</b>	<b>1,134,219</b>	<b>3,000,000</b>	<b>948,000</b>	<b>-</b>

  

As at 30 June 2018	Less than 6 months \$	6 months to a year \$	1-5 years \$	5+ years \$
Distributions payable	13,891	-	-	-
Management fees payable	19,815	-	-	-
Other payable	78,938	-	-	-
Loan Payable	394,640	-	-	948,000
<b>Total</b>	<b>507,284</b>	<b>-</b>	<b>-</b>	<b>948,000</b>

## 3 Fair value measurement

### (a) Recognised fair value measurements

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

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

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

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

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



### 3 Fair value measurement (continued)

#### (a) Recognised fair value measurements (continued)

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

At 30 June 2019	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Mortgage Securities	-	-	10,450,000	10,450,000
<b>Total assets</b>	-	-	<b>10,450,000</b>	<b>10,450,000</b>
<b>At 30 June 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Mortgage Securities	-	-	-	-
<b>Total assets</b>	-	-	-	-

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

At 30 June 2019	Level 1	Level 2	Level 3	Total
<b>Non-financial assets</b>				
Investment properties	-	-	27,060,312	27,060,312
<b>Total assets</b>	-	-	<b>27,060,312</b>	<b>27,060,312</b>
<b>At 30 June 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Non-financial assets</b>				
Investment properties	-	-	16,649,882	16,649,882
<b>Total assets</b>	-	-	<b>16,649,882</b>	<b>16,649,882</b>

There were no transfers between levels of fair value measurement during the year.

The following table presents the movement in level 3 assets for the year ended 30 June 2019 by class of asset.

	<b>Mortgage Securities</b>	
	<b>Year ended</b>	<b>Year ended</b>
	<b>30 June 2019</b>	<b>30 June 2018</b>
Opening balance	-	-
Acquisitions/ additions	10,450,000	-
Disposals	-	-
Gains and losses recognised in profit or loss	-	-
<b>Closing balance</b>	<b>10,450,000</b>	<b>-</b>
	<b>Investment properties</b>	
	<b>Year ended</b>	<b>Year ended</b>
	<b>30 June 2019</b>	<b>30 June 2018</b>
Opening balance	16,649,882	9,030,591
Acquisitions/ additions	12,110,668	8,193,123
Disposals	(157,000)	(74,381)
Gains and losses recognised in profit or loss	(1,543,238)	(499,451)
<b>Closing balance</b>	<b>27,060,312</b>	<b>16,649,882</b>

#### (b) Valuation process

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

##### *Existing properties*

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

### 3 Fair value measurement (continued)

#### (b) Valuation process (continued)

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

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

#### *Development properties*

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

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

#### (c) Sensitivity analysis

The following table shows the impact of a 10% increase or 10% decrease in market prices on the investment property portfolio, with all other factors impacting market valuation remaining unchanged.

Significant input	Fair value measurement sensitivity to significant movement in input	Fair value measurement sensitivity to significant movement in input
	30 June 2019	30 June 2018
	\$	\$
Market price (+10%)	2,706,031	1,683,348
Market price (- 10%)	(2,706,031)	(1,683,348)

### 4 Cash and cash equivalents

	As at 30 June 2019	As at 30 June 2018
	\$	\$
Cash at bank	10,738,239	13,563,743
	<b>10,738,239</b>	<b>13,563,743</b>

### 5 Trade and other receivables

	As at 30 June 2019	As at 30 June 2018
	\$	\$
Prepayments	749	2,375
Accrued interest	62,822	-
Rent and other receivables	22,727	394
	<b>86,298</b>	<b>2,769</b>

## 6 Loans Receivable and Payable

	As at 30 June 2019 \$	As at 30 June 2018 \$
<u>Loans receivable</u>		
Current:		
Loan Sub-Fund 8 Turnberry Close	509,000	-
Loan Sub-Fund Lot 108 Turnberry Close	498,000	-
Loan Sub-Fund 54 Watts Road	1,000,000	-
	<b>2,007,000</b>	<b>-</b>
Non-current:		
Loan Sub-Fund 66 Beaconsfield Parade, Northcote VIC 3070	<b>948,000</b>	<b>948,000</b>
Total loans receivable	<b>2,955,000</b>	<b>948,000</b>
<u>Loans payable</u>		
Current:		
Property Development Sub-Fund Lot 15 Avery Lane, Cliftleigh, NSW 2321	2,000,000	394,640
Property Sub-Fund 8 Turnberry Close	509,000	-
Property Sub-Fund Lot 108 Turnberry Close	498,000	-
Property Sub-Fund 54 Watts Road	1,000,000	-
	<b>4,007,000</b>	<b>394,640</b>
Non-current:		
Property Sub-Fund 66 Beaconsfield Parade, Northcote VIC 3070	<b>948,000</b>	<b>948,000</b>
Total loans payable	<b>4,955,000</b>	<b>1,342,640</b>

Property sub-fund 66, Beaconsfield Parade entered into a loan agreement with DomaCom Loan Fund with an rate of interest of 5.5% and term of 5 years. The DomaCom Loan Fund is separate to the DomaCom Fund and was set up solely to enable loans between sub-Funds of the DomaCom Fund. The DomaCom Loan Fund separately entered into a loan with the Loan sub-fund 66, Beaconsfield Parade with a rate of interest of 5.5% and term of 5 years.

Property development sub-fund Avery's Green entered into a loan agreement with DomaCom Loan Fund with an rate of interest of 14.0% and term of 1 year. The DomaCom Loan Fund separately entered into a loan with the Mortgage Sub-Fund DMC0170AU with a rate of interest of 14.0% and term of 1 year.

In the prior year, property sub-Fund Lot 15 Avery Lane entered into a loan with a 3rd party with an interest rate of 9.75% and a term of 9 months. At 30 June 2018 the balance was \$394,640. The loan was repaid during the current year.

Property sub-fund 8 Turnberry Close entered into a loan agreement with DomaCom Loan Fund with an rate of interest of 8.00% and term of 1 year. The DomaCom Loan Fund separately entered into a loan with the Loan sub-fund 8 Turnberry Close with a rate of interest of 8.0% and term of 1 year.

Property sub-fund Lot 108 Turnberry Close entered into a loan agreement with DomaCom Loan Fund with an rate of interest of 8.0% and term of 7 months. The DomaCom Loan Fund separately entered into a loan with the Loan sub-fund Lot 108 Turnberry Close with a rate of interest of 8.0% and term of 7 months.

Property sub-fund 54 Watts Road entered into a loan agreement with DomaCom Loan Fund with an rate of interest of 10.0% and term of 1 year. The DomaCom Loan Fund separately entered into a loan with the Loan sub-fund 54 Watts Road with a rate of interest of 10.0% and term of 1 year.

The loans payable are secured only on the respective assets above.

## 7 Non-current assets - investment properties

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

	As at 30 June 2019 \$	As at 30 June 2018 \$
811/127-133 Leicester Street, Carlton VIC 3053	175,000	160,000
806/127-133 Leicester Street, Carlton VIC 3053	175,000	165,000
803/127-133 Leicester Street, Carlton VIC 3053	161,000	165,000
808/127-133 Leicester Street, Carlton VIC 3053	170,000	165,000
606/127-133 Leicester Street, Carlton VIC 3053	170,000	160,000
14 Ceres Street, Wulkuraka QLD 4305	430,000	425,000
158/251-255A Clarence Street, Sydney NSW 2000	-	80,000
222/251-255A Clarence Street, Sydney NSW 2000	-	77,000
1/388-390 Burwood Highway, Burwood VIC 3125	125,000	120,000
Lot 42 Parkfield Loop, Paralowie SA 5108	320,000	320,000
Lot 43 Parkfield Loop, Paralowie SA 5108	320,000	320,000
604/127-133 Leicester Street, Carlton VIC 3053	170,000	160,000
6/18 Workshops Street, Brassall QLD 4305	300,000	310,000
5 Prospect Street, Silkstone QLD 4304	355,000	360,000
Lot 45 Parkfield Loop, Paralowie SA 5108	320,000	320,000
15 Pommer Street, Brassall QLD 4305	375,000	385,000
Lot 18 Fazzolari Circuit, Paralowie SA 5110	320,000	320,000
202/51-53 Gaffney Street, COBURG VIC 3058	415,000	410,000
Lot 44 Parkfield Loop, Paralowie SA 5108	320,000	320,000
Lot 47 Parkfield Loop, Paralowie SA 5108	320,000	320,000
Lot 56 Parkfield Loop, Paralowie SA 5108	320,000	320,000
Lot 20 Stacey Court, Munno Para West SA 5115	260,000	260,000
117/36 Queen Victoria Street, Fremantle WA 6160	600,000	690,000
Lot 40/33 Junction Drive, Redbank Plains QLD 4301	300,000	300,000
Lot 15/225 Sutton Street, Warragul VIC 3820	345,000	350,000
Lot 64 Athena Drive, Risdon Vale TAS 7016	380,000	340,000
7/37 Wildey Street, Raceview QLD 4305	270,000	270,000
Lot 27 Isla Court, Munno Para West SA 5115	260,000	260,000
421/6 Aqua Street, Southport QLD 4215	425,000	425,000
"Doyles", Lower Coleraine Road, Muntham VIC 3315	1,000,000	980,000
Lot 821 Celestial Way, Coomera QLD 4209	450,000	434,167
Lot 47/21 Springfield Parkway, Springfield QLD 4300	375,000	394,398
Lot 66 Athena Drive, Risdon Vale TAS 7016	350,000	306,911
Unit 8/37 Wildey Street, Raceview QLD 4305	265,000	289,539
Lot 21 Chellaston Road, Munno Para West SA 5115	260,000	167,246
Lot 440 Fernbrooke NA, Redbank Plains QLD 4301	380,000	352,206
Lot 123/64 Devonshire Road, Rossmore NSW 2557	3,500,000	3,549,240
Unit 18/37 Wildey Street, Raceview QLD 4305	270,000	289,174
66 Beaconsfield Parade, Northcote VIC 3070	1,660,000	1,610,000
3/157 Walcott Street, Mount Lawley WA 6050	460,000	-
7/157 Walcott Street, Mount Lawley WA 6050	350,000	-
Lot 1241/60 Devonshire Road, Rossmore NSW 2557	4,235,000	-
LOT 102 Matthias Way, Leichhardt, QLD 4305	380,573	-
LOT 107 Turnberry Close, Fletcher Way, NSW 2287	424,936	-
Lot 54 Athena Drive, Risdon Vale TAS 7016	329,300	-
LOT 108 Turnberry Close, Fletcher Way, NSW 2287	309,503	-
54 Watts Road, Kemps Creek NSW 2178	3,960,000	-
	<b>27,060,312</b>	<b>16,649,882</b>

### Reconciliation

Reconciliation of the carrying amounts of the investment properties at the beginning and end of the current financial year are set out below:

	As at 30 June 2019 \$	As at 30 June 2018 \$
<b>Beginning balance</b>	16,833,482	9,030,591
Acquisitions	11,927,068	8,376,723
Disposals	(157,000)	(74,381)
Net gains/(losses) from fair value	(1,543,238)	(499,451)
<b>Adjusted carrying amount at year end</b>	<b>27,060,312</b>	<b>16,833,482</b>

## 8 Mortgage Securities

	As at 30 June 2019 \$	As at 30 June 2018 \$
Acquisition of Mortgage Securities	10,450,000	-
	<b>10,450,000</b>	<b>-</b>

A new sub-fund was created during the year ended 30 June 2019 to allow investors to participate in multiple commercial and residential loans backed by first registered mortgages.

## 9 Trade and other payables

	As at 30 June 2019 \$	As at 30 June 2018 \$
Management fees payable	793	19,815
Other payables	114,396	78,938
	<b>115,189</b>	<b>98,753</b>

## 10 Net assets attributable to unitholders

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

	Year ended 30 June 2019		Year ended 30 June 2018	
	Units	\$	Units	\$
Opening balance	44,281,707	33,906,394	25,529,331	22,729,990
Applications and unit class conversion	21,698,545	24,939,015	25,398,457	18,619,093
Redemptions	(5,581,198)	(5,581,198)	(6,749,304)	(6,749,304)
Units issued upon reinvestment of distributions	170,523	170,523	103,223	64,557
Increase/(decrease) in net assets attributable to unit holders	-	(3,164,598)	-	(757,942)
<b>Closing balance</b>	<b>60,569,577</b>	<b>50,270,136</b>	<b>44,281,707</b>	<b>33,906,394</b>

## 11 Reconciliation of net profit to net cash provided by operating activities

	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
Profit/(loss) for the year	-	-
Decrease in net assets attributable to unitholders	(3,164,598)	(757,942)
Distributions to unitholders	684,958	421,299
Change in fair value of investment properties	1,543,238	499,451
Change in value of inventory	1,366,151	-
Net change in receivables and accrued income	(85,327)	(1,274)
Net change in accounts payable and accrued liabilities	16,974	86,695
<b>Net cash provided by operating activities</b>	<b>361,396</b>	<b>248,229</b>

## 12 Distributions

### Distributions paid/payable to unitholders

The distributions for the period were:

	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
Distributions paid	672,928	407,408
Distributions payable	12,030	13,891
	<b>684,958</b>	<b>421,299</b>

## 13 Related party transactions

### Responsible Entity

The Responsible Entity of The DomaCom Fund is Melbourne Securities Corporation Limited.

Investment Manager DomaCom Australia Limited has been appointed to promote, administer, invest and manage the assets of the DomaCom Fund and to perform various services pursuant to the Management Agreement.

### Responsible Entity's fees and other transactions

Under the terms of the Constitution, the Responsible Entity is entitled to receive fees in accordance with the Constitution.

	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
Management fees expense during the year	298,436	173,931
Management fees payable as at year end	793	19,815

The Responsible Entity fees are paid by the Investment Manager.

### Key management personnel

The Responsible Entity engages an Investment Manager, Domacom Australia Limited which manages the activities of the Fund. The executive directors of the Investment Manager are the key management personnel of that entity and their names are Arthur Naoumidis and Ross Laidlaw. No compensation is paid directly by the Fund to the directors or to any key management personnel of the Investment Manager. Payments made by the Fund to the Investment Manager do not specifically include any amounts attributable to the compensation of key management personnel. The Responsible Entity, Melbourne Securities Corporation Limited, administers the activities of the Fund. The directors of the Responsible Entity are key management personnel of that entity and the names of those in office during the financial year are Michael Fleming, Matthew Fletcher and Andrew Georgiou. No compensation is paid directly by the Fund to directors or to any of the key management personnel of the Responsible Entity.

### Unit holdings

No units in the Fund were held during the year by directors and other key management personnel of the Responsible Entity, including their personally related parties. There were no units granted during the reporting period as compensation.

#### **14 Remuneration of auditor**

The remuneration of auditor for the year ended 30 June 2019 has been incurred by the DomaCom Fund and paid for by DomaCom Australia Ltd for the amount of \$20,500 (2018: \$19,500).

#### **15 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2019 and 30 June 2018.

#### **16 Events subsequent to reporting date**

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

#### **17 Responsible Entity details**

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

## Directors' declaration

In the opinion of the Directors of Melbourne Securities Limited, the Responsible Entity of DomaCom Fund ("the Fund"):

- a. the financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in net assets attributable to unitholders, statement of cash flows, and accompanying notes, are in accordance with the Corporations Act 2001, including:
  - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - ii. giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its performance as represented by the results of its operations and its cash flows, for the year ended on that date; and
- b. there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of Directors of Melbourne Securities Corporation Limited, pursuant to s303(5) of the Corporations Act 2001.



Director  
Melbourne Securities Corporation Limited

Melbourne  
24-Sep-19



# Independent Auditor's Report

## To the Members of DomaCom Fund

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of DomaCom Fund (the Scheme), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unitholders and 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 DomaCom Fund is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Scheme'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 Scheme 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.

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

The Directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Scheme's Directors' report for the year 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. We have nothing to report in this regard.

#### **Responsibilities of the Directors for the financial report**

The Directors of the Responsible Entity of the Scheme 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 of the Responsible Entity 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 of the Responsible Entity are responsible for assessing the Scheme'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 Scheme 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/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M A Cunningham  
Partner – Audit & Assurance

Melbourne, 24 September 2019