DomaCom
FRACTIONAL PROPERTY INVESTING

DomaCom Limited and its controlled entities ("DCL")

Appendix 4D – Half Year Report for the period ended 31 December 2018

Results for Announcement to the market

	Half year ended 31 December 2018 $'000	Half year ended 31 December 2017 $'000	%
Revenue from ordinary activities	123	65	89% increase
Loss from ordinary activities after tax attributable to members	3,322	2,995	11% increase
Net loss for period attributable to members	3,322	2,995	11% increase
Net tangible (liabilities) / assets per share	(2.1 cents)	0.3 cents	

Refer to attached Directors' Report for explanation of results.

Dividends

	Amount per security	Franked amount per security
Interim	Nil	Nil
Final	Nil	Nil
Record date for determining entitlements to dividends		N/A
Date dividend is payable		N/A

There is no dividend reinvestment plan in place.

There are no entities over which control has been gained or lost during the period. There were no associates or joint ventures during the period.

The financial report has been subject to independent review by the Company's auditors. The review report is unqualified and contains an "emphasis of matter" paragraph in respect of "Material uncertainty related to going concern". Note 1 to the financial report provides full disclosure of the factors considered by the Company and the auditors. The continuing viability of the Company and its ability to continue as a going concern is dependent upon being successful in continuing to grow Funds under Management, controlling costs and raising further capital in the short to medium term. Note 1 sets out the growth strategies in place and the cost control measures implemented. In addition it explains the recent successful capital raises undertaken as part of the ongoing capital management process.

Philip Chard, Company Secretary

27 February 2019

DomaCom Limited

Financial report for the
half-year ended 31 December 2018

ABN 69 604 384 885

DOMACOM LIMITED
ABN 69 604 384 885

DIRECTORS' REPORT
31 DECEMBER 2018

Your directors present their report on DomaCom Limited (the "Company") and its Controlled Entities (the "Group") for the half-year ended 31 December 2018.

Director Details

The following persons were Directors of DomaCom Limited during and since the end of the financial half-year:

- Mr Grahame D Evans (Chairman and Non-Executive Director)
- Mr David H Archbold (Non-Executive Director)
- Mr Graeme A Billings (Non-Executive Director)
- Mr Peter C Church OAM (Non-Executive Director)
- Mr Arthur Naoumidis (CEO and Executive Director)
- Mr Ross A Laidlaw (COO and Executive Director)

Review of operations and financial results

The operating result of the Group for the half-year ended 31 December 2018 was a loss of $3.3 million (2017: $3.0 million loss).

DomaCom derives fee revenue based on the assets under management in the DomaCom Fund. The fee revenue increased to $123,055 for the six months to 31 December 2018 compared to $64,500 for the comparable six month period.

The total funds under management as at 31 December 2018 was $39.2 million ($35.4 million at 30 June 2018). In addition to new property sub-funds, during the period a second internal loan sub-fund has been created to assist in the financing of a property purchase. In addition a Mortgage Security sub-fund has been created and invested $2 million in securities backed by selected properties.

Where DomaCom is entitled to claim a refundable tax credit for eligible research and development expenditure, the claim is recognized 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, this amount is recognised as Other Income. The half-year ended 31 December 2018 included the recognition of Other Income of $70,605 (2017: $155,222).

The operating costs include the costs of developing the DomaCom Platform, general staff costs and costs incurred in distributing and marketing the DomaCom products into our distribution channels. The effect of the prior year cost reduction program has been a reduction of $1.1 million in operating costs (excluding financing costs). DomaCom continues to focus on tightly controlling costs.

The loss per share of $0.03 (2017: $0.03 loss per share) has remained unchanged reflecting an increased number of shares and losses compared to the prior reporting period.

Capital raising activities undertaken during the period included a private placement of $617,800 on 4 September 2018, the factoring on 21 November 2018 of $200,000 of the R&D tax claim to be made to the Australian Taxation Office and the issue of $2.95 million 2 year secured convertible notes to Thundering Herd Fund No.1 and Thundering Herd Pty Ltd on 7 December 2018.

This additional funding allows DomaCom to continue to develop the DomaCom Platform and provides funding to meet ongoing working capital requirements. The funding also allowed the repayment on 11 December 2018 of the Convertible Notes issued to Australian Special Opportunity Fund, LP, managed by The Lind Partners. The early repayment crystalised the finance costs that were being spread across the original term of the notes.

A further capital raising for $1,315,000 has been completed in February 2019 subsequent to the half-year end. The private placement of 13,150,000 ordinary shares at $0.10 was oversubscribed by $250,000.

DOMACOM LIMITED
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DIRECTORS' REPORT
31 DECEMBER 2018

DomaCom's primary focus will be to continue to drive the funds under management via its distribution channels. It already has a number of projects at different stages of development, that it is working on including further Land Banking opportunities, house and land developments, housing developments which are targeted to the National Disability sector and Community investment projects targeting the renewables sector and in particular wind and solar energy.

DomaCom has successfully received approval from the Australian Securities Investment Commission to launch a product targeted to older Australians (over 60 years of age) allowing them to release equity in their homes (often their most valuable asset) as a means of ensuring they enjoy their final years in retirement. DomaCom has been working with the regulator over a number of years and anticipates launching this product in the second quarter of this year.

DomaCom recently announced to the market that it will also be working with one of the big four banks, to pilot the DomaCom platform and products over the next six-month period and if successful, this should lead to a commercial deployment within the bank.

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 3 of this financial report and forms part of this Directors' Report.

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

Grahame D Evans
Chairman
27 February 2019

Arthur Naoumidis
Director

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Auditor's Independence Declaration

To the Directors of DomaCom Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of DomaCom Limited for the half-year ended 31 December 2018. I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 27 February 2019

DOMACOM LIMITED
ABN 69 604 384 885

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31 December 2018	31 December 2017
	$	$
Revenue	123,055	64,500
Income recognised from research and development incentive	70,605	155,222
Interest Income	2,771	10,433
	196,431	230,155
Expenses		
Employee benefits expenses	(835,288)	(1,107,240)
Fund administration	(76,714)	(145,796)
Rent	(91,757)	(87,164)
Depreciation	(370,819)	(331,605)
Insurance	(107,289)	(97,676)
Advertising	(88,709)	(404,750)
Travel expenses	(45,235)	(62,291)
IT expenditure	(33,847)	(27,621)
Telephone expenditure	(25,866)	(26,038)
Professional fees	(227,055)	(652,780)
Finance costs	(726,300)	(1,957)
Loss on early settlement of convertible notes	(676,291)	-
Director Fees	(61,551)	(84,921)
Other expenses	(152,151)	(195,664)
Total Expenses	(3,518,872)	(3,225,503)
Loss before income tax	(3,322,441)	(2,995,348)
Income tax expense	-	-
Loss for the period	(3,322,441)	(2,995,348)
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translating foreign operations	(366)	(871)
Other comprehensive income for the period	(366)	(871)
Total comprehensive loss for the period	(3,322,807)	(2,996,219)
Earnings per share		
Basic Loss per share	(0.03)	(0.03)
Diluted Loss per share	(0.03)	(0.03)

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 31 DECEMBER 2018

	Note	31 December 2018 $	30 June 2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		530,805	803,421
Receivables		328,764	654,509
Prepayments and other assets		178,687	103,374
TOTAL CURRENT ASSETS		1,038,256	1,561,304
NON-CURRENT ASSETS			
Property, plant and equipment		4,466	11,506
Intangible assets		2,222,643	2,370,513
TOTAL NON-CURRENT ASSETS		2,227,109	2,382,019
TOTAL ASSETS		3,265,365	3,943,323
LIABILITIES			
CURRENT LIABILITIES			
Payables		394,154	414,569
Provisions		233,936	232,339
Borrowings	3	200,000	822,412
Other financial liabilities		112,891	255,476
TOTAL CURRENT LIABILITIES		940,981	1,724,796
NON-CURRENT LIABILITIES			
Provisions		78,407	62,247
Borrowings	3	2,845,196	732,371
TOTAL NON-CURRENT LIABILITIES		2,923,603	794,618
TOTAL LIABILITIES		3,864,584	2,519,414
NET ASSETS		(599,219)	1,423,909
EQUITY			
Issued Capital	4	25,543,485	24,382,924
Reserves	5	1,501,828	1,363,076
Accumulated Losses		(27,644,532)	(24,322,091)
TOTAL EQUITY		(599,219)	1,423,909

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

DOMACOM LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Reserves	Accumulated Losses	Total
For the half-year ended 31 December 2018	**$**	**$**	**$**	**$**
Opening balance at 1 July 2018	24,382,924	1,363,076	(24,322,091)	1,423,909
Issue of share capital	746,523	-	-	746,523
Exercise of performance rights issued in prior periods	414,038	(414,038)	-	-
Issue of convertible notes	-	553,156	-	553,156
	25,543,485	1,502,194	(24,322,091)	2,723,588
Transactions with owners recorded directly in equity:				
Loss for the period to 31 December 2018	-	-	(3,322,441)	(3,322,441)
Other comprehensive income	-	(366)	-	(366)
Balance at 31 December 2018	25,543,485	1,501,828	(27,644,532)	(599,219)

	Issued Capital	Reserves	Accumulated Losses	Total
For the half-year ended 31 December 2017	**$**	**$**	**$**	**$**
Opening balance at 1 July 2017	23,754,418	776,794	(18,650,841)	5,880,371
Issue of share capital	298,269	-	-	298,269
Share based payments	-	(307,302)	-	(307,302)
	24,052,687	469,492	(18,650,841)	5,871,338
Transactions with owners recorded directly in equity:				
Loss for the period to 31 December 2017	-	-	(2,995,348)	(2,995,348)
Other comprehensive income	-	(871)	-	(871)
Balance at 31 December 2017	24,052,687	468,621	(21,646,189)	2,875,119

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 HALF-YEAR ENDED 31 DECEMBER 2018

	31 December 2018 $	31 December 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	123,055	59,962
Payments to suppliers and employees	(1,814,336)	(2,757,962)
Research and development tax offset received	558,324	952,925
Finance costs	(220,630)	(1,557)
Net cash used in operating activities	(1,353,587)	(1,746,632)
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	(364,379)	(410,638)
Interest Received	2,771	10,433
Net cash used in investing activities	(362,534)	(389,255)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	583,821	-
Proceeds from unissued convertible notes	-	378,861
Proceeds from convertible notes	2,750,850	-
Repayment of convertible notes	(1,561,171)	-
Proceeds from short term loans	400,000	-
Repayment of short term loans	(730,000)	-
Net cash provided by financing activities	1,443,500	378,861
Net decrease in cash and cash equivalents	(272,621)	(1,757,026)
Cash and cash equivalents at the beginning of period	803,421	2,705,481
Net foreign exchange difference	5	(871)
Cash and cash equivalents at the end of period	530,805	947,584

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: GENERAL INFORMATION AND BASIS OF PREPARATION

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2018 and are presented in Australian Dollars ($AUD), which is the functional currency of the Parent Company. These interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2018 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

Going Concern basis of accounting

As a developing business the Group has experienced a loss of $3,322,441 for the half-year ended 31 December 2018. The Group had net working capital of $97,275 at 31 December 2018.

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. 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 the Group's established financial adviser network. Further FUM growth is being driven by the introduction of leverage into the DomaCom Fund and the ability to invest in mortgage securities for selected properties. The recent Federal Court determination that the Group has been supporting has clarified the requirements for superannuation funds investing in residential property and will open up the DomaCom Fund to further investment opportunities. In addition the Group is focused on providing investments 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 by the Board on a monthly basis. The Board reviews the Group's ability to meet its ongoing commitments and considers sources of finance and cost control measures.

The Group will continue to carry out development work allowing an annual R&D tax claim to be made. The annual amount received for the 2018 financial year claim was $558,324. Although there is no certainty on the size of future claims, the Group will be making a further claim in current financial year.

Capital raising activities undertaken during the period included a private placement of $617,800 on 4 September 2018, the factoring on 21 November 2018 of $200,000 of the R&D tax claim to be made to the Australian Taxation Office and the issue of $2,950,000 2 year secured convertible notes to Thundering Herd Fund No.1 and Thundering Herd Pty Ltd ("Thundering Herd") on 7 December 2018. At the Annual General Meeting held on 17 October 2018, shareholder approval was obtained to issue up to a further 25% of shares on issue. Part of this capacity was used to issue the Convertible Notes to Thundering Herd. A further capital raising for $1,315,000 has been completed in February 2019. The private placement of 13,150,000 ordinary shares at $0.10 was oversubscribed by $250,000.

The effect of the prior year cost reduction program has been a reduction of $1,100,000 in operating costs (excluding financing costs). The Group will continue to tightly control costs.

If these matters are not or had not been achieved, there may be significant uncertainty as to whether the Group continues 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 continue to access sufficient sources of funds if required and will implement cost control measures if required, and therefore are satisfied that the Group will continue as a going concern. 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.

NOTE 1: GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

New accounting standards adopted

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became mandatorily effective for financial years beginning after 1 January 2018. Accordingly, these standards apply for the first time to these financial statements. The nature and effect of changes arising from these standards are summarised in the section below and in Note 2.

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

The introduction of AASB 15 has had no material impact on the transactions and balances recognised in the financial statements for the period ended 31 December 2018.

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.

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.

NOTE 1: GENERAL INFORMATION AND BASIS OF PREPARATION (CONTINUED)

New accounting standards adopted (continued)

AASB 9 Financial Instruments (continued)

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

The introduction of AASB 9 has had no material impact on the transactions and balances recognised in the financial statements for the period ended 31 December 2018.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 27th February 2019.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2018, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives. AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the first time to the interim period ended 31 December 2018. Changes to the Group's accounting policies arising from these standards are summarised below.

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.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

2.1 Revenue

Revenue arises mainly from the investment management services provided to the DomaCom Fund.

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Revenue (continued)

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 and expense are reported on an accruals basis.

The DomaCom Group may be entitled to claim a refundable tax credit for eligible research and development expenditure (eg the Research and Development Tax Incentive regime in Australia or other investment allowances). The DomaCom Group accounts for a claim as an offset against eligible capitalised R&D expenditure. To the extent the claim relates to costs that were expensed as they did not meet the capitalisation criteria under AASB 138 Intangible Assets, this amount is recognised as Other Income.

2.2 Financial instruments

Due to the nature of the instruments held by the Group, the Group’s accounting for Financial Instruments was not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

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 desiganted at fair value through profit or loss. 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

Trade and other 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.

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group’s financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

Classification and subsequent measurement of financial liabilities

The Group’s financial liabilities include trade and other payables, convertible notes, short term loans secured on the annual ATO R&D claim and intercompany payables.

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.

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial instruments (continued)

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.

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.

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.

	31 December 2018 $	30 June 2018 $
NOTE 3: BORROWINGS		
CURRENT		
Short term loans	200,000	530,000
Convertible Securities	-	292,412
	200,000	822,412
NON-CURRENT		
3 Year Convertible Notes	565,137	548,540
Convertible Securities	-	183,831
2 Year Secured Convertible Notes	2,280,059	-
	2,845,196	732,371

Six months to 31 December 2018	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	(530,000)	-	-	-	(530,000)
Short terms loan	200,000	-	-	-	200,000
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	16,597	58,114	474,505
Loss on early settlement of convertible notes	-	676,291	-	-	676,291
Closing balance as at 31 December 2018	200,000	-	565,137	2,280,059	3,045,196

NOTE 3 BORROWINGS (CONTINUED)

Short Term Loans

Short Term Loans of $530,000 were repaid in the half-year ended 31 December 2018.

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.

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 HALF-YEAR ENDED 31 DECEMBER 2018

	31 December 2018	31 December 2017
	$	$
NOTE 4: ISSUED CAPITAL		
Ordinary shares fully paid	25,543,485	24,052,687
	25,543,485	24,052,687

Ordinary shares

	No.	$
Six months to 31 December 2018		
Opening balance at 1 July 2018	116,603,865	24,382,924
Ordinary shares fully paid issued during the period	14,897,004	1,235,566
Share issue cost	-	(75,005)
Closing balance as at 31 December 2018	131,500,869	25,543,485
Six months to 31 December 2017		
Opening balance at 1 July 2017	111,471,240	23,754,418
Ordinary shares fully paid issued during the period	596,544	298,269
Closing balance as at 31 December 2017	112,067,784	24,052,687

	31 December 2018 $	31 December 2017 $
NOTE 5: RESERVES		
Share based payment reserve	249,600	249,600
Equity Compensation Reserve	129,390	208,254
Foreign Currency Translation Reserve	10,416	10,767
Equity Convertible Note	630,127	-
Equity Option Reserve	482,295	-
	1,501,828	468,621

Six months to 31 December 2018	Share based payment reserve ($)	Equity Compensation Reserve ($)	Foreign Currency Translation Reserve ($)	Equity Convertible Note ($)	Equity Option Reserve ($)
Opening balance at 1 July 2018	249,600	543,428	10,782	76,971	482,295
Exercise of performance rights	-	(414,038)	-	-	-
Issue of convertible note	-	-	-	553,156	-
Translation of foreign operation net assets and results	-	-	(366)	-	-
Closing balance as at 31 December 2018	249,600	129,390	10,416	630,127	482,295

Six months to 31 December 2017	Share based payment reserve ($)	Equity Compensation Reserve ($)	Foreign Currency Translation Reserve ($)	Equity Convertible Note ($)	Equity Option Reserve ($)
Opening balance at 1 July 2017	249,600	515,556	11,638	-	-
Exercise of performance rights	-	(307,302)	-	-	-
Translation of foreign operation net assets and results	-	-	(871)	-	-
Closing balance as at 31 December 2017	249,600	208,254	10,767	-	-

NOTE 6: SUBSEQUENT EVENTS

Subsequent to balance date and prior to issuing this report the following material events occurred.

A capital raising for $1,315,000 has been completed in February 2019. The private placement of 13,150,000 ordinary shares at $0.10 was oversubscribed by $250,000.

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

NOTE 7: CONTINGENT LIABIILITY

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.

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 31 December 2018 and of its performance for the half-year ended on that date; and

ii complying with Accounting Standard AASB 134 Interim Financial Reporting; 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.

Signed in accordance with a resolution of the directors:

Grahame D Evans
Chairman
27 February 2019

Arthur Naoumidis
Director

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Independent Auditor's Review Report

To the Members of DomaCom Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of DomaCom Limited (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of DomaCom Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $3,322,441 during the half year ended 31 December 2018 and, as of that date, the Group had a net working capital of $97,275. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

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

Auditor’s responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company’s financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DomaCom Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 27 February 2019