

ANNUAL REPORT 2018



Dreamscape Networks Limited
ABN 98 612 069 842

dreamscape
NETWORKS

crazydomains
.com

 ***vodien***
24/7 Cloud Hosting

 **sitebeat**



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CORPORATE INFORMATION

DIRECTORS

Peter James (Non-Executive Chairman)

Mark Evans (Managing Director)

Gavin Gibson (Executive Director)

Evan Cross (Non-Executive Director)

Ng Shin Ein (Non-Executive Director)

COMPANY SECRETARY

Anthony (Tony) Sparks

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SECURITIES EXCHANGE LISTING

Dreamscape Networks Limited shares are listed on the Australian Securities Exchange (ASX) under the security code: DN8

WEBSITE www.dreamscapenetworks.com

CHAIRMAN'S REPORT

Dear Shareholder,

The 2018 Financial Year has been a challenging, and ultimately encouraging period for Dreamscape Networks. After a difficult first half, we reported an improved second half performance and delivered a strong result for the year overall.

In our second annual report since listing on ASX, I would like to outline the improvements we are making at your Company, highlight our significant growth opportunities and address the frustrations of our shareholders given the recent share price performance.

First, let me talk about the improvements we have been making at Dreamscape Networks. We transitioned to an online solutions provider, integrated the recent acquisitions and simplified our structure. Moreover, we began to lay the foundations for sustainable, profitable growth.

We have been busy streamlining the business to centre our operations in Singapore. We have closed our Perth and Dubai offices. This simplification reduces the organisation's complexity and cost base. It also ensures that we are ideally located to capitalise on the structural growth opportunities in South East Asia.

The digital trends in Asia are compelling with good growth expected to continue for the foreseeable future. With the recent and fully integrated Vodien acquisition we have a strong base from which we can capitalise on these opportunities. Our new partnership with ONE Championship will build our profile in the region and accelerate our growth. We expect our Asian business to generate high returns on capital over time as we scale the business and generate operating leverage.

The Australian business consistently generates strong cash flow. This enables us to fund our growth strategies. We can leverage our expertise into these new markets while taking a considered and risk adverse approach to entering new jurisdictions.

Our second growth engine is gaining market traction; online solutions. We have bolstered our product set with more value add digital solutions. These solutions include Sitebeat, the world's first next generation block technology that provides customers the choice of building their own website, or have us do it for them. We co-developed this technology and lead the market with this faster, smoother, more user friendly mobile solution.

We also acquired Glasshat to enhance our product offering. Glasshat is an automated Search Engine Optimisation (SEO) platform enabled for Do It Yourself (DIY) and managed service applications for Small Medium Businesses (SMB's). This exciting technology generates customised and prioritised digital marketing recommendations that help users identify what is required to improve optimization and search engine rankings. The product is commercially complete and we believe it has great potential to be aggressively rolled out to our customer base at an appealing and affordable price. We will commence marketing efforts in the first quarter of FY19.

These digital solutions unlock new growth opportunities as well as increase average revenue per customer (ARPC), a key profit driver. Our mission to make customers' digital lives easier and more effective resonates well in the market and creates a platform for sustainable growth.

Another profit growth driver is the potential for margin expansion. We saw this in 2H FY18. We can generate higher earnings from the current business as the revenue mix continues to improve, we enjoy an annualised contribution from acquisitions and efficiency gains.

While we have done much to strengthen Dreamscape and are confident for the future, we understand our shareholders' frustration at the recent weakness in the share price.

Let me say that as we execute our strategic priorities to deliver profitable growth and attractive returns on capital, we expect to increase shareholder value, and we are working hard to ensure this value is recognised by investors.

Our priorities are clear. We will:

1. Continue to execute our growth strategy to be the #1 Online Solutions Provider in Australia and South East Asia delivering innovative affordable online solutions for our customers.
2. Drive an improved organic profit performance from our existing businesses. Dreamscape has more organic earnings power than the latest results show.
3. Take a cautious and highly selective approach to acquisitions to complement organic growth. Acquisitions need to add technology, customer bases and accretive earnings.
4. Recognise the importance of having a competitive cost of equity to fund acquisitions and avoid unnecessary dilution for shareholders.
5. Maintain a conservative approach to debt and balance sheet leverage. We do not intend to add excessive financing risk to the Dreamscape investment case.
6. Recognise the primacy of shareholders, the information requirements of investors, and the importance of aligning the interests of all shareholders.

I am pleased by the progress the team at Dreamscape is making. FY18 was a challenging year of transition that ended with an encouraging second half. I look forward to sharing better results and an improved performance going forward.

Acknowledgements

Finally, I would like to thank our shareholders for their support, my fellow directors for their counsel, our employees throughout the organisation for their much valued contribution and our customers for entrusting us with their business.

A handwritten signature in black ink, appearing to read "Peter James", followed by a period.

Peter James
Chairman



CEO'S REPORT

Dear Shareholder,

The 2018 financial year (FY18) was a very busy period of substantial transition for Dreamscape Networks Limited and its subsidiaries (Dreamscape Networks or the Group).

The Group delivered a solid result for FY18 during a significant period of activity including the streamlining of global operations. Dreamscape was extremely busy with the integration of four acquisitions, the closure of the Perth and Dubai offices, the relocation to new headquarters in Singapore along with the commencement of the fit out of the new technical support and customer care facility in the Philippines, giving us capacity to scale.

I am very pleased to report that we continued our track record of profitability and positive net operating cash flows.

Strong Recovery in Earnings

Following a difficult first half, the Group made a strong recovery in its underlying core profitability as evident in the second half Adjusted EBITDA¹ of \$7.1m compared to a first half \$3.2m and a Statutory EBITDA of \$6.33m (up 14%² on FY17). This was achieved through strategic and targeted marketing campaigns, streamlining operations and efficiencies, growth of 45% in Hosting Bookings with higher margins, and a strong performance in Asia through Vodien Internet Solutions Pte Ltd and its subsidiaries (Vodien).

Revenue for FY18 was up 32% to \$61.6m, underpinned by growing Bookings in Hosting. We expect to see the full effects of the bolt-on businesses acquired in FY19.

Net Profit After Tax (NPAT)² was a solid at \$2.7 million driven by higher margin Bookings, prudent cost management and a balanced core strategy to invest into new high growth markets in South East Asia (SEA).

Growing Bookings

Dreamscape Networks delivered Total Bookings of \$65.2m for FY18, up 23% on FY17.

Our strategy to move into the higher margin pillar of hosting has paid off with FY18 Bookings growth of 45% to \$32.1m. This strong increase can be attributed to the bolt-on acquisitions that have an emphasis on hosting businesses, as well as the utilization of marketing, sales and hosting transfer teams to drive customer growth. Hosting is now our number one pillar in terms of Bookings at 49% of Total Bookings up from 42% in FY17.

Domains increased 9% to \$26.8m following modest Australian industry growth trends and our various bolt-on acquisitions, including Vodien's recently achieved number 1 status for .sg. Growth in Domains was driven by the Group's continued focus on new emerging markets such as the move into South East Asia (SEA).

Solutions was up 2% to \$6.3m. We have a significant opportunity to increase Solutions through the Group's large member base with a focus on add on value products and services. The launch of Sitebeat, an innovative next-generation technology website builder and the recently acquired Glasshat, an automated Search Engine Optimisation platform should provide us with further growth in this region.

Integrating acquisitions

During FY18 the Group acquired four Australian hosting & domain businesses, including Vodien, Singapore's #1 Hosting and .sg Domain provider and our entry into SEA. Dreamscape Networks also completed the acquisition of Domain Name Registrar on 1 July 2018.

Integration of these businesses was clearly a major focus during FY18 and the first quarter of FY19. We expect that integration savings and efficiencies will continue to emerge in FY19 with full benefits in FY20.

Positive outlook for continued growth

By maximizing our technical infrastructure in Singapore, and Sydney, the Group is well positioned for future growth. The consolidation of Vodien and existing teams in the Philippines into a new technical support centre has us primed to support customer and business growth.

SEA is the growing opportunity for Dreamscape Networks with estimated growth of 39% forecasted for the industry in the next two years. Within this online retail should also increase share. SEA has some of the highest penetration of social networks usage amongst internet users in the world, now having more internet users than the US. We see significant potential.

Growth Strategy

Our focus is to deliver strong organic profit growth, supplemented with disciplined, selective, accretive acquisitions to enhance our technology, broaden our customer base and unlock new market opportunities.

We will continue to invest in SEA as a key part of our growth strategy; maintaining leadership status in the Australian and Singapore markets; and further optimize and streamline operational efficiencies and cost savings from our acquisitions.

We will continue our national award winning customer service to enhance the annuity side of our business and improve the Life Time Value of our customers. We will also further enhance our marketing activities to leverage the higher margin pillars of hosting and solutions.

I would like to close by thanking the Board of Directors for their energetic support in a very active period of growth and change. I would also like to thank all Dreamscape Network's employees for their dedication to the business. I am looking forward to the year ahead as we continue to work together to grow the Group.

A handwritten signature in black ink, appearing to read "Mark Evans", with a long horizontal stroke extending to the left.

Mark Evans

Managing Director & Chief Executive Officer

Notes

- (1) A Non-IFRS cash-based financial measure of DN8's performance that aligns with the Group's Bookings and operating expenditures to evaluate the core operating profitability of the Group's business. Adjusted EBITDA is calculated using the Statutory EBITDA calculation, primarily adjusted for the change in deferred revenue so as to include total Bookings, the change in the deferred costs associated with the total Bookings, and excluding the non-cash equity-based expenses including share-based compensation and Unrealised Foreign currency exchange losses/gains and transaction expenses and non-core one off expenses (see Directors Report for further disclosure).
- (2) Before forgiveness of advances to related parties pursuant to Share Sale Agreement (see Appendix 4E for further disclosure)



DIRECTORS' REPORT

Your Directors present their report of the Group, consisting of Dreamscape Networks Limited (the 'Company') and the entities it controlled, for the financial year ended 30 June 2018.

Directors

The names of Directors who held office during the financial year are noted below. Directors were in office for the entire period unless otherwise stated.

Peter James

Non-Executive Chairman

Peter has extensive experience as Chair, Non-Executive Director, and Chief Executive Officer across a range of publicly listed and private companies particularly in emerging technologies and e-commerce. He is a successful investor in a number of Digital Media and Technology businesses in Australia and the US and travels extensively in reviewing innovation and consumer trends in the US and also in Asia. He is also an experienced and successful business leader with significant strategic and operational expertise.

Peter holds a BA degree with Majors in Business and Computer Science and is a Member of the Australian Computer Society. He is a Fellow of the Australian Institute of Company Directors.

Previously among other roles, Peter was a long term director of iiNet Limited where he chaired iiNet's Strategy and Innovation Committee and was actively involved in the \$1.5bn sale to TPG in August 2015.

Other current directorships of listed companies

- Macquarie Telecom Ltd. (director since April 2012)
- Nearmap Ltd., (director since December 2015)
- Droneshield Limited (director since April 2016)
- UUV Aquabotix Ltd. (director since March 2017)

Former directorships of listed companies in the last three years

- iiNet Limited (delisted August 2015)

Special duties

- Member of the Company's Audit and Compliance Committee.

Mark Evans

Managing Director and Chief Executive Officer

Mark comes with extensive corporate experience. Previously the CEO of an international security countermeasures company, Mark was responsible for Asia-Pacific distribution agreements with Korean manufacturers of technology and Internet based security products.

Continuing his move up the corporate ladder, Mark moved on to a very successful long-term career in Sales & Marketing for one of Australia's largest and most admired billion dollar private companies. Here, Mark was renowned for his precise planning, strategy and execution, as well as the building of highly successful teams with winning cultures.

Since being appointed CEO, Mark has proven himself as a true leader of Dreamscape Networks. Soon after his arrival, the company experienced the rapid global growth that has cemented its status as a market leader.

Other current directorships of listed companies

- Nil

Former directorships of listed companies in the last three years

- Nil

Special duties

- Nil

Gavin Gibson

Executive Director and Chief Operations Officer

Gavin comes from a strong technical background, operating as the CTO for a number of IT companies prior to joining Dreamscape Networks. Having been involved with Dreamscape and its subsidiary projects since inception, Gavin has worked closely with all aspects of operations from support, human resource, design and development, to project and product management, marketing, PR and management.

With his broad knowledge and experience, Gavin combines a clear vision and overview of day-to-day operations with an ability to tackle any arising challenges. Gavin expertly manages the build and implementation of Dreamscape's internal systems to improve speed, efficiency, profitability and overall customer experience.

Other current directorships of listed companies

- Nil

Former directorships of listed companies in the last three years

- Nil

Special duties

- Member of the Company's Risk Management Committee.

Evan Cross

Non-Executive Director

Evan has been a member of Chartered Accountants Australia and New Zealand for over 30 years, and is a fellow of the Australian Institute of Company Directors.

He has extensive corporate finance experience in investment banking both in Australia and the US and has held key finance or executive director roles in a number of private and ASX-listed companies in a wide range of industries including technology, healthcare, mining and food and beverage.

Other current directorships of listed companies:

- OpenDNA Limited (director since July 2015)

Former directorships of listed companies in the last three years:

- Ephraim Resources Limited (February 2017 to June 2017)
- Activistic Limited (July 2015 to April 2017)
- Sun Biomedical Limited (March 2012 to July 2015)
- MyFiziq Limited (October 2014 to October 2016)

Special duties

- Chairman of the Company's Audit and Compliance Committee
- Acquisitions

Michael Malone

Non-Executive Director

Michael founded iiNet Limited in 1993 and continued as CEO until retiring in 2014. iiNet grew into a major telecommunications provider with revenue of over one billion dollars and a market capitalisation of over one billion dollars.

Michael is also Chairman of Diamond Cyber, a Perth-based cyber security response business, where he is the Founding Chairman. He also serves as a non-executive director on NBN Co Limited since April 2016. Michael was also a founding director and chairman of auDA (the .au Domain Administration).

Michael holds a Bachelor of Science degree in Mathematics and Post Graduate Diploma of Education in Mathematics. He is a Fellow of the Australian Institute of Company Directors and Australian Institute of Management.

Other current directorships of listed companies

- Superloop Limited (director since April 2015 and chairman since June 2017)
- Seven West Media (director since June 2015)
- SpeedCast (director since May 2014)

Former directorships of listed companies in the last three years

- Nil

Special duties

- Chairman of the Company's Risk Management Committee
- Member of the Company's Audit and Compliance Committee.

Ng Shin Ein

Non-Executive Director – appointed 11 May 2018

Ng Shin Ein is an investor and entrepreneur who mentors and invests in growth companies in the digital marketing and technology space. She is the founder and Managing Partner of Gryphus Capital, a pan-Asian private equity investment firm. She invests actively and leads a network of family offices and other private equity firms to provide strategic capital for companies.

Ms Ng was admitted as an advocate and solicitor of the Singapore Supreme Court and practiced as a corporate lawyer where she advised clients on joint ventures, mergers and acquisitions and fundraising exercises. Subsequent to legal practice, Shin spent a number of years at the Singapore Exchange, where she was responsible for developing Singapore's capital market and bringing foreign companies to list in Singapore.

Shin currently sits on the boards of other companies listed on the mainboard of the Singapore Exchange, and was appointed the youngest ever director of Fairprice, Singapore's largest supermarket operator. In addition to corporate boards, Shin serves on the boards of the Singapore International Foundation and the Middle East Institute, National University of Singapore. She is also Singapore's Non-Resident Ambassador to The Republic of Hungary.

Other current directorships of listed companies

- First Resources Limited (director since October 2007)
- Avarga Limited (director since April 2013)
- Yanlord Land Group Limited (director since May 2006)

Former directorships of listed companies in the last three years

- Sabana Reit (resigned 23 March 2017)

Special duties:

- Nil

Company Secretary

Anthony (Tony) Sparks

Tony is a Chartered Accountant and Senior Executive with over 25 years' experience in strategic, financial, taxation, company secretarial and corporate matters in various organisations and industries.

Tony was recently the Chief Financial Officer for a privately owned resources company with a \$3bn project, has previously held the position of Managing Director for an ASX Listed company, and has over 10 years' experience as a Company Secretary and the Chief Financial Officer for various ASX Listed companies.

Tony was appointed as Group Finance Director in late February 2016 to oversee all aspects of the Group's financial management, financial reporting, corporate and company secretarial matters.

Directors' meetings

The number of meetings held and attended by each of the Directors of the Company during the financial year are set out below:

	Board Meetings		Audit and Compliance Committee Meetings		Risk Management Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Peter James	15	15	2	2	n/a	n/a
Mark Evans	15	15	n/a	n/a	n/a	n/a
Gavin Gibson	15	15	n/a	n/a	4	4
Evan Cross	15	15	2	2	n/a	n/a
Michael Malone	15	14	2	2	4	4
Ng Shin Ein	1	1	n/a	n/a	n/a	n/a

Directors' interests in shares and options of the Company

The following table sets out each director's relevant interest in shares and options in shares of the Company as at the date of this report.

	Fully paid ordinary shares	Share options
	Number	Number
Peter James	556,000	9,500,000
Mark Evans	95,450,000	5,000,000
Gavin Gibson	4,120,000	3,000,000
Evan Cross	4,160,000	2,500,000
Michael Malone	2,330,000	5,000,000
Ng Shin Ein	-	-

Unissued shares under options

At the date of this report, unissued ordinary shares of the Company under options are:

Grant date	Number of shares under option	Exercise Price	Expiry Date
2 November 2016	11,000,000	0.25	30 June 2020
2 November 2016	8,250,000	0.35	30 June 2021
2 November 2016	8,250,000	0.45	30 June 2022
	<u>27,500,000</u>		

Principal activities

The principal activities of Dreamscape Networks Limited and its subsidiaries (the "Group"), comprise the business of providing domain name, hosting and online services and solutions.

Review of Operations

2018 was a year of transition for Dreamscape Networks Limited. The Company continued to promote existing and new products in the markets where it operates, whilst advancing its long-term targeted global expansion strategy in South East Asia, the world's fastest growing internet space in the world.

The Group remained profitable and is generating positive net operating cash flows throughout this period of transition.

Highlights for the fiscal year

- Total Bookings up 23% to \$65.2 million;
- Revenue up 32% to \$61.6 million;
- Statutory EBITDA up 14% to \$6.3 million;
- Adjusted EBITDA¹ of \$10.3 million;
- Net Profit After Tax of \$2.7 million;
- Successful completion of strategic acquisition Vodien Internet Solutions Group to access South East Asia markets;
- Successful completion of four Australian bolt on acquisitions, predominantly in the Hosting Pillar;
- Integration of data centres, billing systems, customer service and administration substantially completed during the financial year, with remaining integration related activities expected to be performed in first quarter FY19;
- Restructure of global HQ to Singapore and the closure of Perth and Dubai offices;
- Premium customer care service satisfaction maintained at 92%+ during the financial year;
- The launch of Sitebeat, an exciting and innovative next generation technology website builder; and
- Strategic partnership with PayPal in Australia and Asia.

¹ Refer to the definition of Adjusted EBITA on page 8 of the report.

Acquisition funding facility

In order to support its acquisition growth strategy, the Company executed a \$20 million three-year cash advance facility with Commonwealth Bank of Australia. The funds available have assisted and continue to assist the Group in making cash flow and earnings accretive acquisitions while preserving the Company's capital.

The facility gives the Group greater flexibility to execute on attractive and time-sensitive opportunities that build market leadership, and position the Group as South East Asia's leading trusted and affordable online solutions provider.

Acquired businesses and integrations

During the financial year, Dreamscape Networks acquired four onshore hosting and domain businesses, together with the first strategic SEA business, Vodien Internet Solutions Group of companies which is Singapore's #1 Hosting and .sg Domain Provider.

Integration of data centres, billing systems, customer service and administration have been a major focus during this financial year.

In the second half of FY18, the integration process has continued at pace and we are pleased to report that all current integrations will be completed in the first quarter FY19, together with the recently announced Domain Name Registrar's business. The Company is confident integration savings and efficiencies for acquisitions will continue to emerge in FY19 with full benefits seen in FY20.

Corporate Relocation to Singapore

Dreamscape Networks has substantially completed its move into new corporate headquarters in Singapore. The move integrates marketing for the Group's brands, Crazy Domains and Vodien. It also consolidates the executive team, finance, administration and human resources functions for the Dreamscape Networks Group. Mark Evans CEO and Gavin Gibson COO have both now relocated to Singapore. Tony Sparks, Group Finance Director will relocate to Singapore towards the end of Calendar 2018.

The Perth office was closed in March 2018 and the Dubai office in May 2018. Continuing staff from Perth are progressively being relocated to Singapore with the remaining relocations occurring in the first and second quarters of FY19. The group finance function previously located in Dubai, UAE has been closed with all staff being made redundant. New appointments have been made in Singapore with completion of recruiting expected in the first quarter of FY19. The Company is extremely pleased with the calibre and experience of the new finance team and the talent pool available in Singapore, reaffirming its strategic realignment and operational streamlining.

Board and Management

As our business and geographic focus moves to include South East Asia, it is important for the mix of our board and management team to evolve. In May 2018, the Company announced the appointment of Ms Ng Shin Ein to the board as a non-executive director. Shin Ein has a wealth of experience in not only the ASEAN region but in technology, growth companies and corporate finance. She has a stellar record of investment as well as very notable and successful relationships within Asia's technology and finance sector. She will be a great asset to the board and we look forward to working closely with her in FY19 as we grow our business in South East Asia.

We are also pleased to announce that joint Vodien founder, Mr Jervis (John) Lee has accepted a new role within the senior management structure as we focus on growth in South East Asia. John has accepted the position of Chief Integrations Officer where he will lead and drive integrations from start to execution, working across development, infrastructure and product and will play an integral role in optimising implementation and best practices as we drive further activity in the region. The Group is also pleased to welcome Ms Sharon Sam, as our new Group Financial Controller based in Singapore. Sharon is a qualified Chartered Accountant with significant finance and reporting experience in global commercial operations. She is a former PwC senior manager prior to leaving the profession in 2011 to move into a commercial role.

New Technology Solutions (Products)

Sitebeat

Dreamscape Networks launched its exciting and innovative next-generation technology website builder. Sitebeat was soft launched in March 2018 and commercially launched after year-end. Reaction to, and uptake of Sitebeat in the initial launch phase has been very encouraging. After the first 3 months, sales were in the order of 35% higher than sales of our previous website builder product.

Sitebeat.com has recently been launched as our dedicated website builder brand, designed to create a technology platform that simplifies designing and building an online presence. Sitebeat's mission is to bring millions of entrepreneurs across the Asia Pacific region online. In addition, Sitebeat recently achieved the top 10 list of most innovative products to help businesses digitally transform with a leading Singaporean technology accelerator.

Glasshat

Glasshat is an automated Search Engine Optimisation (SEO) platform enabled for Do It Yourself (DIY) and managed service application for Small Medium Businesses (SMB's). This exciting technology generates customised and prioritised digital marketing recommendations that help users identify what is required to improve optimisation and search engine rankings.

Dreamscape Networks was a reseller of Glasshat and was able to acquire the technology in June 2018 which was an opportunistic and advantageous move saving millions in development costs. The product is commercially complete and we believe it has great potential to more aggressively roll out to our customer base under our Solutions pillar at a much more attractive and affordable price than where it was previously positioned in the market. The Group will commence marketing efforts in the second quarter of FY19 and later adding managed services.

Performance review

- Bookings for the year increased by 23% to \$65.2 million, mainly due to a significant increase of 45% in the higher margin Hosting Pillar;
- Revenue for the year up by 32% to \$61.6 million;
- Adjusted Earnings before Interest, Taxes, Depreciation, and Amortisation (EBITDA[#]) of \$10.3 million.

[#] Refer to the definition of Adjusted EBITA later in this report.

		2018	2017
			(Restated)
	Note	\$'000	\$'000
Revenue	1,3	61,565	46,696
Profit for the period before forgiveness of advances to related parties		2,733	3,189
Net profit (loss) for the year	1,2	2,733	(12,861)
Net cash generated from operating activities		7,875	12,138

Note 1: The Company acquired a number of businesses which contributed to the revenue and net profit for the year ended June 2018. Refer to Note 25.

Note 2: In the year ended 30 June 2017, due to the large one-off item of expense relating to the forgiveness of advances to related parties of \$16.1 million upon the acquisition of Pandora Enterprise Holdings Ltd, the comparison of net profit/loss between financial year 2018 and financial year 2017 is not considered to be meaningful.

Note 3: AASB15: Revenue from Contracts with Customers was early adopted by the Company and applied from 1 July 2017. Comparative results for the year ended 30 June 2017 were adjusted to reflect the transitional effect of the revised accounting standard.

Reconciliation of Statutory Net Profit (Loss) after Tax (NPAT) to Statutory Earnings before Interest, Taxes, Depreciation, and Amortisation (EBITDA)

	2018	2017
		(Restated)
	\$'000	\$'000
Statutory NPAT	2,733	(12,861)
Adjustments:		
Interest expense/(income) – net	509	(9)
Depreciation and amortisation	2,104	1,346
Income tax expense	990	1,038
Statutory EBITDA	6,336	(10,486)

Reconciliation of Statutory EBITDA to Adjusted EBITDA

Adjusted EBITDA is a Non-IFRS cash-based financial measure of the Dreamscape Networks Group performance that aligns with the Bookings and operating expenditures to evaluate the core operating profitability of the business.

Adjusted EBITDA is calculated using the Statutory EBITDA calculation, primarily adjusted for the change in deferred revenue so as to include Total Bookings, the change in the deferred costs associated with the Total Bookings, and excluding the non-cash equity-based expenses including share-based compensation and unrealised foreign currency exchange losses/gains, transaction expenses and non-core one off expenses.

Adjusted EBITDA for the financial year ended 30 June 2018 was \$10.3 million (2017: \$10.8 million).

	2018	2017
		(Restated)
	\$'000	\$'000
Statutory EBITDA	6,336	(10,486)
Add:		
Forgiveness of advances to related parties	-	16,050
Effect of net deferred revenue	2,109	3,206
Share-based compensation	602	1,044
Unrealised foreign exchange losses – net	516	440
Acquisition related costs	529	275
Restructure related costs	170	-
Data centre improvement	-	268
Adjusted EBITDA	10,262	10,783

Risk Management

The Board ensures a pro-active and structured approach to potential material business sustainability and compliance risk. The Company has established a Risk Management Committee to assist in overseeing and monitoring the Company's risk management policies and processes. The Company's risk management systems are used to assist in identifying and managing potential and apparent business, economic, environmental and social sustainability risks. It regularly assesses risk which may include, but not limited to, credit, economic, liquidity, operational, environmental, OH&S, regulatory, market related, technology, social sustainability, human resources, product, brand and reputation.

Significant changes in the state of affairs

Acquisition of Vodien Group

On 31 July 2017, Dreamscape completed the acquisition of the Vodien Group. Vodien Group is a leading Singapore-based hosting and domain services enterprise, with emerging operations in Indonesia and Malaysia. It is the number one hosting provider in Singapore and the number three .sg domain provider with approx. 19% market share. The Group comprises Vodien Internet Solutions Pte Ltd and all related companies and businesses including – Singhost, IT Works Internet, Webvisions, and sgDomain.

The acquisition was funded through the combination of SGD 20 million cash from internal reserves and the issue of 42.5 million new DN8 ordinary shares to Vodien Group's founders that is subject to a voluntary one year escrow period. The new DN8 shares were issued at an issue price of 23.5 cents per share, being the Company's share price on the date of settlement.

Conversion of performance rights

In line with the terms and conditions set out in the Company's prospectus dated 3 November 2016, 1,273,333 performance rights previously issued to Senior Employees of the Group were converted to ordinary shares on 31 July 2017 following achievement of the relevant Tranche 1 vesting condition.

Acquisition of Enetica Group

On 31 October 2017, the Company completed the acquisition of Web City, Enetica and Host1 (Enetica Group). Enetica Group is a Sydney-based hosting and domain business. In 2002, Enetica became the first new fully accredited registrar following open tendering of the .au domain market. Enetica Group has more than 15,000 customers and 70,000 registered domains. Hosting accounts for approx. 76% of revenue, with domains accounting for the remaining 24%.

The purchase price for Enetica Group of \$4.457 million was paid in cash. The purchase consideration was funded from existing available free cash and a short term (six month), unsecured loan of \$3.0 million on arm's length terms provided by Cloudsafe Holdings Limited, a company associated with Dreamscape's Managing Director Mark Evans. Details of the unsecured loan are further disclosed later in this report.

Acquisition Funding Facility

On 28 December 2017, the Company executed the Finance Documents for a \$20 million three-year cash advance facility with Commonwealth Bank of Australia after satisfying the conditions precedent.

The acquisition funding facility assisted Dreamscape Networks in making further cash flow positive and earnings accretive acquisitions while preserving the Company's equity capital.

This funding would support further acquisitions and growth initiatives that increase shareholder value and drive additional growth.

Acquisition of Quadra Hosting

On 31 January 2018, Dreamscape completed the acquisition of the customers, systems, and brand assets of the business operating as Quadra Hosting. Quadra Hosting is a Gold Coast-based business with a solid local reputation. Principally focused on web hosting, approximately 95% of Quadra's business comes from Hosting, with 5% coming from re-selling Domain Registrations.

Consideration of \$2.5 million was funded through the Cash Advance Facility with Commonwealth Bank of Australia.

Dividends

The Board did not declare nor pay any dividends for the financial year ended 30 June 2018, or propose to pay any dividends in relation to the financial year.

Events after Reporting Date

Acquisition of Domain Name Registrar and Loan drawdown

On 1 July 2018, Dreamscape Networks Limited completed the acquisition of the customers, systems, and brand assets of the business operating as Domain Name Registrar ("DNR") for a total consideration of \$8.5 million. DNR is a business principally focused on domain registration (0.9% .au market share) and web hosting, with approximately 80% of its business coming from domain registration and 20% from hosting.

The consideration was funded through a drawdown of \$7.815 million from the Company's existing Cash Advance Facility with Commonwealth Bank of Australia and the balance from existing cash resources.

Conversion of Performance Rights

In line with the terms and conditions set out in the Company's prospectus dated 3 November 2016, 1,073,333 performance rights previously issued to Senior Employees of the Group were converted to ordinary shares on 31 July 2018 following achievement of the relevant Tranche 2 vesting condition. 400,000 performance rights lapsed as a result of vesting conditions being unable to be satisfied.

Likely developments and expected results

Growth in Asian market share

One of the key priorities targeted by the Group is to present its products and services to Asian markets, initially within English-speaking countries. The acquisition of the Vodien Group and subsequent corporate relocation to Singapore have allowed the Company to successfully penetrate the SEA market. Dreamscape will continue to expand its market share in Asia.

Business acquisitions

During the fiscal year the Group acquired four onshore hosting and domain businesses, together with its first strategic SEA business, Vodien Internet Solutions, Singapore's #1 Hosting and .sg Domain.

The Group will continue to identify and acquire earnings accretive businesses in order to maximise from existing synergies and create shareholder value.

Enhancement of products and services

The Group is constantly working towards improving and increasing the range of products and services available to its customers. The Group's developers are continuously refreshing existing products and seeking new ones, all serving customers' needs and ensuring customer satisfaction. Recent examples include Sitebeat and partnerships with other leading online services providers.

The dedicated domains team will seek opportunities through new registry accreditations and expanding the range of Top Level Domains available.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the Directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Remuneration Report

The Remuneration Report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the Key Management Personnel of the Company for the financial year ended 30 June 2018. Please refer to pages 12 to 17.

Environmental legislation

The Company and its subsidiaries are not subject to any significant environmental legislation.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 28 of the consolidated financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the company with an Independence Declaration in relation to the audit of the annual financial report. This Independence Declaration is set out on page 18 and forms part of this Directors' report for the year ended 30 June 2018.

Rounding of Amounts

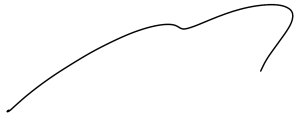
The Company has applied the relief available to it under ASIC Legislative Document 2016/191, and accordingly certain amounts in the annual financial report and the Directors' report have been rounded off to the nearest \$1,000, unless otherwise indicated.

Corporate governance

The Board has adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2015 and which became effective for financial years beginning on or after 1 July 2015. These principles and recommendations ensure the Board's transparency in setting rules, pursuing the true spirit of the Eight Central Principles. It demonstrates sound corporate governance practice and highest standards of ethical conduct, with established necessary policies, procedures, framework, and charters appropriate for the Company's size, nature and operations.

The Company's Corporate Governance Statement, together with policies and practices, are available under the dedicated corporate governance section of the Company's website, www.dreamscapenetworks.com/governance.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to Section 295 of the Corporations Act 2001.



Mark Evans
Director

27 September 2018

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of Dreamscape Networks Limited (the "Company") and its controlled entities (the "Group"). The Remuneration Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001.

For the purpose of this report, KMP is defined as those persons who, directly or indirectly, have authority and responsibility for planning, directing, and controlling the major activities of the Company and the Group.

I. Key Management Personnel

The names and designation of KMP are set out below. These individuals were in office for the entire period unless otherwise stated. There were no changes to KMP between the reporting date and the date the annual financial report was authorised for issue.

Non-Executive Directors

Peter James	Chairman and Non-Executive Director	
Michael Malone	Non-Executive Director	
Evan Cross	Non-Executive Director	
Ng Shin Ein	Non-Executive Director	Appointed 11 May 2018

Executive Directors

Mark Evans	Chief Executive Officer and Managing Director
Gavin Gibson	Chief Operations Officer and Executive Director

Senior Executives

Tony Sparks	Group Finance Director and Company Secretary
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II. Remuneration Policy

The Group's remuneration policy was structured to ensure that it is relative to the scale and growth of the business, and meets remuneration principles.

In determining the remuneration for KMP, the Board ensures that the remuneration framework:

- is competitive and reasonable, designed to attract, motivate, and retain directors who will create value for stakeholders;
- reflect core performance requirements and expectations, taking into account the clearly-specified individual and corporate performance targets; and
- is transparent and carried out for the benefit of all its stakeholders.

Remuneration will be reviewed at least annually, on the basis of individual performance and their contribution to the Group's growth in accordance with its mission statement. The assessment will be directed by measurable KPIs, shareholders' interests and confidence, market influences, and desired standing.

In light of the Company's size and nature, the full Board takes responsibility in ensuring that the framework is in compliance with remuneration principles, and considers both the level and structure of remuneration and incentive policies for the KMP within the Company.

III. Use of Remuneration Consultants

No remuneration consultants were engaged by the Company during the year.

IV. Remuneration Structure

The key components of the remuneration structure are:

- **Fixed compensation, including post-employment benefits** – superannuation and end of service benefits
- **Short-term incentives** – bonus payment to Executive Directors and a Senior Executive, measured by the following key performance indicators:

Performance Indicator	% Maximum bonus remuneration [#]
Achievement ranging from 95% to 105+% of budgeted Bookings	10%
Achievement ranging from 95% to 105+% of budgeted Adjusted EBITDA	40%
Achievement ranging from 95% to 105+% of budgeted IFRS Net Profit After Tax	50%
• Long-term incentives – share options and performance rights	

[#]Maximum AU\$ equivalent of short-term incentives is 62.5% of the Executive Directors' and Senior Executive's annual base remuneration, respectively.

a. Non-Executive Directors' Service Agreements

Upon appointment, all Non-Executive Directors enter into contracts for services with the Company, which itemise the responsibilities relevant to the director, remuneration package and benefits, and other terms and conditions.

Key provisions of the Service Agreements

All Service Agreements stipulate that they have no fixed term and there will be no termination benefits.

Key components of remuneration in the Service Agreements

	Annual base remuneration	Post-employment benefits ¹	No. of Share options granted	No. of Performance rights granted
Peter James	AU\$ 120,000	Superannuation	9,500,000	–
Michael Malone	AU\$ 80,000	Superannuation	5,000,000	–
Evan Cross	AU\$ 80,000	Superannuation	2,500,000	–
Ng Shin Ein	AU\$ 80,000	Superannuation	–	–

b. Executive Directors' and Senior Executive's Employment Contracts

Executive Directors and a Senior Executive are provided with employment contracts, which enumerate duties and responsibilities, remuneration package and other employee benefits, key performance indicators (KPIs), and other terms and conditions.

Key provisions in the Employment Contracts

Name	Employment term	Notice period	Termination Benefit
Mark Evans	No fixed term	Three months' notice from either party	Three years' base remuneration
Gavin Gibson	No fixed term	Three months' notice from either party	Highest benefit based on: (a) Three months' base remuneration; (b) One month's base remuneration for each full or partial year of employment completed; or (c) Equivalent months' base remuneration of the notice period.
Tony Sparks	No fixed term	Three months' notice from the employee; Six months' notice from the Company	Six months' base remuneration

Key components of remuneration in the Employment Contracts

- Fixed compensation

	Annual base remuneration	Annual housing subsidy	Post-employment benefits ¹
Mark Evans	US\$420,000	US\$90,000	End of Service Benefits
Gavin Gibson	AU\$280,000	–	Superannuation
Tony Sparks	AU\$300,000	–	Superannuation

- Short-term and Long-term incentives

	Short-term incentives	Long-term incentives ³	
	Maximum bonus remuneration ²	No. of Share options granted	No. of Performance rights granted
Mark Evans	62.5% of annual base remuneration	5,000,000	–
Gavin Gibson	62.5% of annual base remuneration	3,000,000	–
Tony Sparks	62.5% of annual base remuneration	2,500,000	600,000

¹Post-employment benefits are based on statutory obligations to the employees, pursuant to the requirements of the local authorities of the country where the entity operates, respectively.

²The bonus remuneration is based on predetermined Key Performance Indicators (KPIs) by the Board of Directors (as set out above).

³Maximum AU\$ equivalent of long-term incentives is 50% of the Executive Directors' and Senior Executive's annual base remuneration, respectively.

V. Remuneration of KMP

Financial year	Short-term employee benefits		Post-employment benefits		Share-based payments ³		Total	Performance related
	Remuneration and benefits ²	Non-monetary benefits	Superannuation	End of service benefits	Share options	Performance rights		
2018	\$	\$	\$	\$	\$	\$	\$	%
<u>Non-Executive Directors</u>								
Peter James	120,000	—	11,400	—	74,368	—	205,768	36%
Michael Malone	80,000	—	7,600	—	39,141	—	126,741	31%
Evan Cross ⁴	260,000	—	7,600	—	19,571	—	287,171	7%
Ng Shin Ein ⁵	13,333	—	—	—	—	—	13,333	0%
<u>Executive Directors</u>								
Mark Evans	676,272	—	—	26,834	39,141	—	742,247	5%
Gavin Gibson	295,301	—	32,227	—	23,485	—	351,013	7%
<u>Senior Executive</u>								
Tony Sparks	270,598	—	30,912	—	19,571	75,000	396,081	24%
	1,715,504	—	89,739	26,834	215,277	75,000	2,122,354	

Financial year	Short-term employee benefits		Post-employment benefits		Share-based payments ³		Total	Performance related
	Remuneration and benefits ²	Non-monetary benefits	Superannuation	End of service benefits	Share options	Performance rights		
2017	\$	\$	\$	\$	\$	\$	\$	%
<u>Non-Executive Directors</u>								
Peter James ¹	95,000	—	9,025	—	250,612	—	354,637	71%
Michael Malone ¹	63,333	—	6,017	—	131,901	—	201,251	66%
Evan Cross ⁴	128,333	—	6,017	—	65,950	—	200,300	33%
<u>Executive Directors</u>								
Mark Evans	871,461	—	—	131,926	131,901	—	1,135,288	12%
Gavin Gibson	288,999	—	27,455	—	79,140	—	395,594	20%
<u>Senior Executive</u>								
Tony Sparks	264,082	—	25,088	—	65,950	50,000	405,120	29%
	1,711,208	—	73,602	131,926	725,454	50,000	2,692,190	

Above amounts were determined on the basis of the salaries and benefits expenditure to the Group.

¹Non-Executive Directors' short-term employee and post-employment benefits for Peter James and Michael Malone are from appointment on 16 September 2016.

²Remuneration and benefits include accrued performance bonuses based on determined KPIs, subject to Board approval after the issuance of the annual financial report.

³Fair value in accordance with AASB 2 *Share-based payment*. For further details, please refer to Note 22 of the Notes to the Consolidated Financial Statements.

⁴Evan Cross remuneration includes \$180,000 (2017: \$65,000) for consultancy services on strategic acquisition advice and ancillary services paid to a company in which Mr Cross is a director and shareholder.

⁵Non-Executive Director's short-term employee benefits for Ng Shin Ein are from appointment on 11 May 2018.

VI. KMP Shareholdings, option holdings and holdings of performance rights

• Ordinary shares held by KMP

As at balance date, the interests held either directly, indirectly, or beneficially, by each key management person, including their related parties, are set out below:

	Balance at 1 July 2017 No.	Granted as remuneration No.	Other changes ¹ No.	Balance as at 30 June 2018 No.
Peter James	400,000	-	116,000	516,000
Mark Evans	94,020,000	-	1,430,000	95,450,000
Gavin Gibson	4,120,000	-	-	4,120,000
Evan Cross	3,110,000	-	1,050,000	4,160,000
Michael Malone	2,000,000	-	330,000	2,330,000
Ng Shin Ein	-	-	-	-
Tony Sparks	300,000	200,000 ²	-	500,000
	103,950,000	200,000	2,926,000	107,076,000

¹Shares purchased during the financial year.

²Performance rights converted to ordinary shares upon achievement of vesting conditions.

• Options held by KMP

The options granted to the Executive Directors, Non-Executive Directors, and Senior Executives are set out below:

	Options granted as at 1 July 2017 No.	Exercised during the financial year No.	Balance as at 30 June 2018 No.	Vested* and exercisable at 30 June 2018 No.	Unvested** and not exercisable at 30 June 2018 No.
Peter James	9,500,000	-	9,500,000	6,650,000	2,850,000
Mark Evans	5,000,000	-	5,000,000	3,500,000	1,500,000
Gavin Gibson	3,000,000	-	3,000,000	2,100,000	900,000
Evan Cross	2,500,000	-	2,500,000	1,750,000	750,000
Michael Malone	5,000,000	-	5,000,000	3,500,000	1,500,000
Ng Shin Ein	-	-	-	-	-
Tony Sparks	2,500,000	-	2,500,000	1,750,000	750,000
	27,500,000	-	27,500,000	19,250,000	8,250,000

* Vested represents Tranche 1 options and Tranche 2 options only.

** Unvested represents Tranche 3 options.

No options were issued during the financial year.

Terms of the Options:

	Number of Options	Grant date	Expiry Date	Exercise Price	Fair value at grant date	Value recorded year ended 30 June 2017	Value recorded year ended 30 June 2018	Vesting Condition Date***
Tranche 1	11,000,000	2 November 2016	30 June 2020	0.25	583,903	583,903	-	30 June 2017
Tranche 2	8,250,000	2 November 2016	30 June 2021	0.35	250,147	99,232	150,915	30 June 2018
Tranche 3	8,250,000	2 November 2016	30 June 2022	0.45	171,043	42,320	64,362	30 June 2019
	27,500,000				1,005,093	725,455	215,277	

*** Vesting condition date means the holder remains in employment within the Group at that date.

Full details of the inputs used in valuing the options are contained in Note 21 of the consolidated financial statements.

- *Performance rights held by a Senior Executive*

The rights granted to the Senior Executive are set out below:

	Performance rights as at 1 July 2018 No.	Exercised during the financial year No.	Balance as at 30 June 2018 No.	Vested and exercisable at 30 June 2018 No.	Unvested and not exercisable at 30 June 2018 No.
Tony Sparks	600,000	200,000	400,000	200,000	200,000

No performance rights were issued during the financial year.

Terms of the Performance Rights:

	Number	Expiry date	Vesting condition
Tranche 1	200,000	31 July 2017	The holder remains in the employment of any company in the Group at 30 June 2017
Tranche 2	200,000	31 July 2018	The holder remains in the employment of any company in the Group at 30 June 2018
Tranche 3	200,000	31 July 2019	The holder remains in the employment of any company in the Group at 30 June 2019

Full details of the valuation methodology used in valuing the rights are contained in Note 21 of the consolidated financial statements.

VII. Loans to KMP

No loans were made to KMP during the financial year.

VIII. Other transactions with KMP

Loan Agreement

On 31 October 2017, a loan agreement was entered into with Cloudsafe Holdings Limited, a company owned by CEO and Managing Director, Mark Evans, for \$3 million. The agreement was entered into at arm's length and interest charged at 8% per annum. Funds were used for a business acquisition and the loan has been repaid in full prior to balance date. Total interest paid on the loan was \$120,000.

Services Agreement

The Company entered into an agreement with Siteplus Pte. Ltd. for the development and licensing of software promoted and commercialised by the Company. Siteplus is a related party to CEO and Managing Director, Mark Evans. The agreement was entered into at arm's length. Total service fees paid to Siteplus were \$8,305.

---- END OF REMUNERATION REPORT ---



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Dreamscape Networks Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
27 September 2018

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.


L Di Giallonardo
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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HLB Mann Judd (WA Partnership) is a member of  International, a world-wide organisation of accounting firms and business advisers

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
			(Restated)
	Notes	\$'000	\$'000
Revenue	4	61,565	46,696
Direct costs		(25,070)	(19,703)
Gross profit		36,495	26,993
Salaries and employee benefits	5	(17,471)	(11,945)
Marketing and promotions	5	(3,688)	(3,532)
General and administrative expenses	5	(8,215)	(5,547)
Operating profit		7,121	5,969
Depreciation and amortisation	13,14	(2,104)	(1,346)
Finance expenses		(509)	-
Other income - net		123	87
Foreign exchange losses - net		(908)	(483)
Forgiveness of advances to related parties		-	(16,050)
Profit (loss) before income tax		3,723	(11,823)
Income tax expense	6	(990)	(1,038)
Net profit (loss) for the year		2,733	(12,861)
Other comprehensive income, net of income tax			
<i>Item that will not be reclassified to profit or loss</i>			
Re-measurement of defined benefit obligation		-	30
<i>Item that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations' financial statements		(109)	156
Other comprehensive income (loss) for the year, net of income tax		(109)	186
Total comprehensive income (loss) for the year		2,624	(12,675)
Basic earnings (loss) per share (cents per share)	8	0.72	(4.28)
Diluted earnings (loss) per share (cents per share)	8	0.71	(4.28)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

		2018	2017
			(Restated)
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	5,627	17,698
Other financial assets	10	381	154
Trade and other receivables	11	5,206	3,398
Prepayments and other deposits	12	1,224	811
Other – Vodien deposit	25	-	1,908
Total current assets		12,438	23,969
Non-current assets			
Property and equipment	13	8,667	3,126
Goodwill and other intangible assets	14	42,851	3,645
Deferred tax assets	6	1,284	1,163
Other		1,018	67
Total non-current assets		53,820	8,001
TOTAL ASSETS		66,258	31,970
LIABILITIES			
Current liabilities			
Trade and other payables	15	5,012	2,986
Borrowings	16	313	-
Accrued expenses	17	2,606	2,800
Other current liabilities	17	1,748	966
Deferred revenue - net	4	19,435	14,509
Income tax payable		1,123	992
Total current liabilities		30,237	22,253
Non-current liabilities			
Borrowings	16	11,506	-
Deferred revenue - net	4	11,485	9,900
Deferred tax liabilities	6	118	-
Provision for employees' end of service benefits	18	291	409
Total non-current liabilities		23,400	10,309
TOTAL LIABILITIES		53,637	32,562
NET ASSETS (LIABILITIES)		12,621	(592)
EQUITY			
Issued capital	21	23,225	12,920
Share-based payment reserve	22	1,464	1,180
Accumulated losses		(12,224)	(14,957)
Other reserves		156	265
TOTAL EQUITY (DEFICIENCY)		12,621	(592)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

		2018 \$'000	2017 \$'000
	Notes		
Cash flows from operating activities			
Receipts from customers		63,286	50,796
Payments to suppliers and employees		(54,375)	(38,497)
Other income received		183	87
Income taxes paid		(1,219)	(248)
Net cash flows from operating activities	9	7,875	12,138
Cash flows from investing activities			
Purchase of property and equipment	13	(6,314)	(1,650)
Purchase of intangible assets	14	(725)	(13)
Cash acquired on acquisition of Pandora		-	60
Business acquisitions, net of cash acquired	25	(22,912)	(2,745)
Payment for lease deposits		(859)	-
Initial deposit on acquisition of Vodien Group		-	(1,908)
Net cash flows (used in) investing activities		(30,810)	(6,256)
Cash flows from financing activities			
Proceeds from the issue of shares		-	25,000
Proceeds from loan	16	15,300	-
Loan finance charges	16	(443)	-
Repayment of loans	16	(3,115)	-
Payment to vendors		-	(10,000)
Payment of acquisition-related costs		(668)	-
Payment of transaction costs		-	(2,735)
Advances to related parties		-	(4,850)
Net cash flows from financing activities		11,074	7,415
Net (decrease) / increase in cash held		(11,861)	13,297
Cash and cash equivalents at the beginning of the year		17,698	4,609
Effects of exchange rate fluctuations on cash held		(210)	(208)
Cash and cash equivalents at the end of the year	9	5,627	17,698

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Issued capital \$'000	Share- based payment reserve \$'000	Accumulated losses \$'000	Other reserves \$'000	Total equity \$'000
Balance at 1 July 2016 (restated)	10	-	(2,096)	79	(2,007)
Net loss for the year (restated)	-	-	(12,861)	-	(12,861)
Other comprehensive income for the year	-	-	-	186	186
Total comprehensive loss for the year	-	-	(12,861)	186	(12,675)
Shares issued during the year	15,000	-	-	-	15,000
Share issue costs (net of tax effect)	(2,010)	-	-	-	(2,010)
Deemed consideration of reverse acquisition	(80)	-	-	-	(80)
Share-based payments	-	1,180	-	-	1,180
Balance at 30 June 2017 (restated)	12,920	1,180	(14,957)	265	(592)
Balance at 1 July 2017 (restated)	12,920	1,180	(14,957)	265	(592)
Net profit for the year	-	-	2,733	-	2,733
Other comprehensive loss for the year	-	-	-	(109)	(109)
Total comprehensive income for the year	-	-	2,733	(109)	2,624
Shares issued during the year	9,987	-	-	-	9,987
Share issued from conversion of performance rights	318	(318)	-	-	-
Share-based payments	-	602	-	-	602
Balance at 30 June 2018	23,225	1,464	(12,224)	156	12,621

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: ABOUT THIS REPORT

Business acquisitions

Pandora Enterprise Holdings Ltd.

On 1 December 2016, Dreamscape Networks Limited (the "Company") completed the legal acquisition of Pandora Enterprise Holdings Ltd. The acquisition of Pandora Enterprise Holdings Ltd. by the Company has the features of a reverse acquisition under Australian Accounting Standard Board Standard 3 "Business Combinations," notwithstanding the Company being the legal parent of the Group. Under the Australian Accounting Standards (AASBs), Pandora Enterprise Holdings Ltd. was deemed the accounting acquirer in this transaction.

Net Logistics Pty. Ltd.

On 31 March 2017, Dreamscape Networks Limited completed the acquisition of Net Logistics Pty. Ltd.

Vodien Internet Solutions Group

On 31 July 2017, Dreamscape Networks Limited completed the acquisition of Vodien Internet Solutions Pte. Ltd. and its wholly-owned subsidiaries.

Enetica Group

On 31 October 2017, Enetica Group, comprised of Web City Australia Pty. Ltd. and Enetica Pty. Ltd., both situated in Sydney, were 100% acquired by Dreamscape Networks Limited; while Webcity International Pte. Ltd., located in Singapore, was 100% acquired by Vodien Internet Solutions Pte. Ltd.

Quadra Hosting

On 31 January 2018, Dreamscape Networks Limited completed the acquisition of the customers, systems, and brand assets of the business operating as Quadra Hosting.

Whois

On 12 March 2018, Dreamscape Networks Limited completed the acquisition of the customers, systems, and brand assets of the business operating as Whois.

Glasshat

On 8 June 2018, Dreamscape Networks Limited completed the acquisition of the customers, systems, and brand assets of the business operating as Glasshat.

The implications of the above acquisitions on the consolidated financial statements are as follows:

- (i) Consolidated statement of comprehensive income
 - The consolidated statement of comprehensive income for the financial year ended 30 June 2018 comprises the total comprehensive income of the following:
 - Dreamscape Networks Limited: from 1 July 2017 to 30 June 2018
 - Net Logistics Pty Ltd: from 1 July 2017 to 30 June 2018
 - Vodien Group: from 31 July 2017 to 30 June 2018
 - Enetica Group: from 31 October 2017 to 30 June 2018
 - Quadra Hosting: from 1 February 2018 to 30 June 2018
 - Whois: from 12 March 2018 to 30 June 2018
 - Glasshat: from 8 June 2018 to 30 June 2018
 - The comparative information for the year ended 30 June 2017 is the consolidated statement of comprehensive income of Pandora Enterprise Holdings Ltd and its subsidiaries for the financial year from 1 July 2016 to 30 June 2017, Dreamscape Networks Limited for the period from 1 December 2016 to 30 June 2017, and Net Logistics Pty Ltd for the period from 1 April 2017 to 30 June 2017.
- (ii) Consolidated statement of financial position
 - The consolidated statement of financial position as at 30 June 2018 represents the combination of Dreamscape Networks Limited and its subsidiaries¹.
 - The comparative information as at 30 June 2017 represents the combination of Dreamscape Networks Limited, Net Logistics Pty. Ltd. and Pandora Enterprise Holdings Ltd. and its subsidiaries¹.

NOTE 1: ABOUT THIS REPORT (continued)

(iii) Consolidated statement of cash flows

- The consolidated statement of cash flows for the year ended 30 June 2018 comprises the cash flows of the following:
 - Dreamscape Networks Limited: from 1 July 2017 to 30 June 2018
 - Net Logistics Pty Ltd: from 1 July 2017 to 30 June 2018
 - Vodien Group: from 31 July 2017 to 30 June 2018
 - Enetica Group: from 31 October 2017 to 30 June 2018
 - Quadra Hosting: from 1 February 2018 to 30 June 2018
 - Whois: from 12 March 2018 to 30 June 2018
 - Glasshat: from 8 June 2018 to 30 June 2018
- The comparative information for the year ended 30 June 2017 comprises the cash flows of Pandora Enterprise Holdings Ltd. and its subsidiaries, for the period from 1 December 2016 to 30 June 2017 of Dreamscape Networks Limited and for the period from 1 April 2017 to 30 June 2017 of Net Logistics Pty. Ltd.

(iv) Consolidated statement of changes in equity

- The consolidated statement of changes in equity for the year ended 30 June 2018 comprises the changes in equity of the following:
 - Dreamscape Networks Limited: from 1 July 2017 to 30 June 2018
 - Net Logistics Pty Ltd: from 1 July 2017 to 30 June 2018
 - Vodien Group: from 31 July 2017 to 30 June 2018
 - Enetica Group: from 31 October 2017 to 30 June 2018
 - Quadra Hosting: from 1 February 2018 to 30 June 2018
 - Whois: from 12 March 2018 to 30 June 2018
 - Glasshat: from 8 June 2018 to 30 June 2018
- The comparative information for the year ended 30 June 2017 comprises the changes in equity of Pandora Enterprise Holdings Ltd. and its subsidiaries, for the period from 1 December 2016 to 30 June 2017 of Dreamscape Networks Limited and for the period from 1 April 2017 to 30 June 2017 of Net Logistics Pty. Ltd.

¹Refer to Note 26: Interest in subsidiaries.

NOTE 2: STATEMENT OF COMPLIANCE

The annual financial report has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the annual financial report, comprising the consolidated financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The financial information in this annual financial report for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 27 September 2018.

NOTE 3: BASIS OF PREPARATION

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs.

The consolidated financial statements are presented in Australian Dollars (AUD), which is the functional and presentation currency of the Group. Under the option available to the Company under ASIC Legislative Document 2016/191, amounts in the annual financial report have been rounded to the nearest \$1,000, unless otherwise stated.

The consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, and consolidated statement of changes in equity provide comparative information as at and for the year ended 30 June 2017. Where necessary, the comparatives have been reclassified to be consistent with the current period disclosures.

Early adoption of AASB 15 Revenue from Contracts with Customers

The Group has elected to early adopt AASB 15 *Revenue from Contracts with Customers* as issued in December 2015, which would otherwise be mandatorily effective for annual reporting periods beginning on or after 1 January 2018. The initial application date for the Group is 1 July 2017. The Group has elected to apply the standard on a full retrospective basis as permitted by AASB 15 whereby the cumulative effect of retrospective application is recognised by adjusting opening accumulated losses for the earliest comparative period presented (which for the Group is the comparative period beginning on 1 July 2016). See below for further details on the key impacts arising from the adoption of the new standard, including the effect on the opening statement of financial position as at 1 July 2016.

NOTE 3: BASIS OF PREPARATION (continued)

Early adoption of AASB 15 Revenue from Contracts with Customers (continued)

(i) Effect on opening statement of financial position at 1 July 2016:

	Previous carrying amount 1 July 2016 \$'000	Effect of adoption of AASB 15 \$'000	Restated carrying amount 1 July 2016 \$'000
Statement of Financial Position			
Current deferred revenue (net)	16,984	(3,573)	13,411
Non-current deferred revenue (net)	9,776	(2,382)	7,394
Accumulated losses	(7,368)	5,272	(2,096)

(i) Effect on comparative statement of financial position at 30 June 2017:

	Previous carrying amount 30 June 2017 \$'000	Effect of adoption of AASB 15 \$'000	Restated carrying amount 30 June 2017 \$'000
Statement of Financial Position			
Current deferred revenue (net)	19,326	(4,817)	14,509
Non-current deferred revenue (net)	12,446	(2,546)	9,900
Accumulated losses	(21,312)	6,355	(14,957)

(i) Effect on comparative statement of comprehensive income for the year ended 30 June 2017:

	Previous amount 30 June 2017 \$'000	Effect of adoption of AASB 15 \$'000	Restated amount 30 June 2017 \$'000
Statement of Comprehensive Income			
Revenue	46,401	295	46,696
Direct cost	(20,491)	788	(19,703)
Earnings (loss) per share (cents per share)	(4.64)	n/a	(4.28)

In the context of the Group's business, AASB 15 replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks and rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

The Group's new accounting policy in respect of Revenue is as follows:

Revenue is measured at the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the Group's activities. The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services under the principles of AASB 15 *Revenue from Contracts with Customers*.

To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

NOTE 3: BASIS OF PREPARATION (continued)

Early adoption of AASB 15 Revenue from Contracts with Customers (continued)

The Company exercises considerable judgement taking into account all the relevant facts and circumstances when applying each step of this model to its contracts with customers.

The Standard requires that revenue is recognised at the "transaction price" when certain contractual obligations are met but with any "variable consideration" elements of the price recognised when it is "highly probable" that there will be no reversal of that revenue.

If and when revenue is recognised evenly over the life of the service, revenue (together with deferred costs related to amounts paid in relation to such products and services to registration authorities and products from suppliers) is deferred and disclosed as a current or non-current liability in the consolidated statement of financial position, depending on the period to which it relates.

(i) Domain registration, hosting, and web designing

- Domain registrations: revenue is recognised at the time of the billing, as at that point in time the Company considers it has met its contractual obligations.
- Hosting: revenue is recognised evenly over the life of the service.
- Web designing: revenue is recognised in the accounting period in which the services are rendered.

(ii) Services

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Contract income is recognised by reference to the total actual costs incurred at the end of the reporting period relative to the proportion of the total costs expected to be incurred over the life of the contract;
- Servicing fees are recognised by reference to the proportion of the total cost of providing the service for the product sold; and
- Revenue from time and material contracts are recognised at the contractual rates as labour hours are delivered.

Revenue is recognised on a time proportion basis for the period for which it relates. Where revenue is received in advance, the revenue is deferred and disclosed as a current or non-current liability in the consolidated statement of financial position, depending on the period to which it relates.

(iii) Finance income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

Significant accounting judgments and key estimates

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

• *Impairment of Goodwill*

The Group performs impairment testing at the end of each reporting period by assessing the recoverable amount of cash-generating units (CGUs), considering both qualitative (external and internal impairment indicators specific to the Group's operating environment) and quantitative (expected revenue growth rates and cash flow projections) measures.

• *Other intangible assets*

Software is amortised over its estimated useful life, which is based on the expected usage of the asset. Any changes in the accounting estimate on amortisation will be recorded in the consolidated statement of comprehensive income for the period of change.

NOTE 3: BASIS OF PREPARATION (continued)

Significant accounting judgments and key estimates (continued)

- *Property and equipment*

Property and equipment are depreciated over their estimated useful lives, which is based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial. Any changes in the accounting estimate on depreciation will be recorded in the consolidated statement of comprehensive income for the period of change.

- *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences and unused tax losses as management considers that it is probable that sufficient taxable temporary differences are expected to reverse in a future period or future taxable profits will be available to utilise those temporary differences. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

- *Share-based payment reserves*

The Group measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined by using a Black-Scholes model, with the assumptions detailed in Note 22.

Going concern

Notwithstanding the fact that the Group has a working capital deficiency of \$17.8m, the Directors are of the opinion that the Group is a going concern for the following reasons:

- The Company reported a net profit of \$2.73 million for the financial year ended 30 June 2018;
- The Group ended the financial year with a cash balance of \$5.63 million and net assets of \$12.6 million;
- The Group recorded net cash inflows from operating activities for the financial year ended 30 June 2018 of \$7.88 million;
- The largest current liability is deferred revenue – net of \$19.44m, which represents unearned revenue, net of deferred costs, that have been recognised on a time proportion basis for accounting purposes only and not as an amount due for refund;
- The Company executed a \$20 million three-year cash advance facility with Commonwealth Bank of Australia, which remains in good standing. At balance date, the Company has utilised \$12.185 million of this facility, with the balance of \$7.815 million remaining to be used;
- The Company is listed on the Australian Securities Exchange, having the flexibility to raise capital, if required; and
- The Group is confident that it will maintain its profitability in the coming financial year.

Accounting policies and methods of computation

a. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and
- has the ability to its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights if an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

NOTE 3: BASIS OF PREPARATION (continued)

Accounting policies and methods of computation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

b. Foreign Currencies

(i) Transactions and balances

Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities arising in foreign currencies are converted into the functional currency at the rates of exchange prevailing on the date of the consolidated statement of financial position and any gain or loss arising thereon is charged to the consolidated statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

(ii) Foreign-controlled entities

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity, being recognised in the foreign currency translation reserve.

The Group's foreign-controlled entities with their respective functional currencies being currencies other than AUD are as follows:

Name of subsidiary	Country	Functional currency	Currency symbol
Dreamscape Networks Inc.	Philippines	Philippine Peso	PHP
Dreamscape Networks Pte Ltd	Singapore	Singapore Dollars	SGD
Dreamscape Networks LLC	Ukraine	Ukrainian Hryvnia	UAH
Dreamscape Networks International Pte Ltd	Singapore	Singapore Dollars	SGD
Vodien Internet Solutions Pte. Ltd. ¹	Singapore	Singapore Dollars	SGD

¹Includes Vodien's subsidiaries.

All other entities' functional currencies are AUD.

NOTE 3: BASIS OF PREPARATION (continued)

Accounting policies and methods of computation (continued)

On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to the partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences are recognised in other comprehensive income.

NOTE 4: REVENUE

Domain registration, hosting, solutions

- Domain registrations: revenue is recognised at the time of the billing, as at that point in time the Company considers it has met its contractual obligations.
- Hosting: revenue is recognised evenly over the life of the service.
- Solutions: revenue is recognised in the accounting period in which the services are rendered.

Revenue from services

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Contract income is recognised by reference to the total actual costs incurred at the end of the reporting period relative to the proportion of the total costs expected to be incurred over the life of the contract;
- Servicing fees are recognised by reference to the proportion of the total cost of providing the service for the product sold; and
- Revenue from time and material contracts are recognised at the contractual rates as labour hours are delivered.

Revenue is recognised on a time proportion basis for the period for which it relates. Where revenue is received in advance, the revenue is deferred and disclosed as a current or non-current liability in the consolidated statement of financial position, depending on the period to which it relates.

Finance income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

Disaggregation of revenue

The Group derives its revenue from the transfer of services over time and at a point in time in the following sources of revenue.

	2018	2017
	\$'000	(Restated) \$'000
Segment revenue		
Domain registration	26,481	23,554
Hosting and solutions	34,995	23,142
Other revenue	89	-
Total	61,565	46,696

NOTE 4: REVENUE (continued)

	2018 \$'000	2017 (Restated) \$'000
Timing of revenue recognition		
<u>At a point in time:</u>		
Domain registration	26,481	23,554
Other revenue	89	-
	26,570	23,554
<u>Over time:</u>		
Hosting and solutions	34,995	23,142
Total	61,565	46,696

Unearned revenue represents the amount generated from the sale of products or services where the services are yet to be performed pursuant to the agreement. Deferred costs represent the amount paid for the purchase of domains from registration authorities and products from suppliers.

Unearned revenue and deferred costs are recognised in the consolidated statement of financial position on a time proportion basis for the period for which it relates. These periods extend from one to ten years.

Classification of net deferred revenue is as follows:

	2018 \$'000	2017 (Restated) \$'000
<u>Current:</u>		
Unearned revenue	20,351	15,460
Deferred costs	(916)	(951)
	19,435	14,509
<u>Non-current:</u>		
Unearned revenue	11,485	10,011
Deferred costs	-	(111)
	11,485	9,900

NOTE 5: EXPENSES

	2018 \$'000	2017 \$'000
Salaries and employee benefits		
Salaries and wages	14,125	9,176
Share-based payment expense (i)	602	1,044
Employee amenities and superannuation	812	535
Directors' fees	327	185
Other employee benefits	1,605	1,005
	17,471	11,945
Marketing and promotions		
Web and online media	3,567	3,490
Sponsorship	6	15
Other marketing	115	27
	3,688	3,532

NOTE 5: EXPENSES (continued)

	2018 \$'000	2017 \$'000
General and administrative expenses		
Merchant fees	2,022	1,765
Occupancy	2,352	1,178
Communication	1,014	516
Professional fee	1,208	458
Travel and entertainment	681	424
Subscriptions	192	408
Insurance and warranties	169	379
Taxes and licenses	181	107
Other expenses	396	312
	8,215	5,547
 (i) Share-based payment expense		
KMP options expense	215	726
KMP performance rights expense (net of cancellations)	387	318
	602	1,044

NOTE 6: INCOME TAX

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTE 6: INCOME TAX (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Dreamscape Networks Limited (the Company), being incorporated in Australia, is a resident for Australian tax purposes.

As a corporate shareholder, the Company will be assessed on its world-wide income subject to the Australian domestic tax laws. The majority of the Group's income is derived through its wholly owned subsidiary, Dreamscape Networks FZ-LLC (a company incorporated in the United Arab Emirates) which is a non-resident for Australian tax laws. Dreamscape Networks FZ-LLC receives income, in part, from Australian customers. Generally, an Australian resident company will not be assessed on dividends received from a wholly-owned foreign subsidiary. A wholly-owned foreign subsidiary would fall within the definition of a Controlled Foreign Company (CFC).

However, the accruals taxation system in Australia operates to assess Australian tax residents on an accrual basis on their share of income derived by a CFC (this would include service income received by Dreamscape Networks FZ-LLC from Australian customers) that has not been comparably taxed offshore by attributing the entity's income to the Australian tax resident even if the income has not been distributed. The Company is likely to be assessable on attributed income from Dreamscape Networks FZ-LLC. As a result, the income tax calculations in this consolidated financial statements have been based on this.

The major components of income tax recognised in profit or loss are:

	2018	2017
	\$'000	\$'000
Current tax expense	861	1,073
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	129	(35)
	990	1,038

NOTE 6: INCOME TAX (continued)

The prima facie income tax expense on pre-tax accounting profit/loss reconciles to the income tax expense in the consolidated financial statements as follows:

	2018	2017
	\$'000	Restated \$'000
Accounting profit / (loss) before income tax	3,723	(11,823)
Income tax expense (benefit) calculated at 30%	1,117	(3,547)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
• Effect of non-deductible expenses	2	5,016
• Effect of non-deductible share-based payments	118	313
• CFC attributable income	564	-
• Effect of different tax rates of subsidiaries operating in other jurisdictions	(859)	(744)
• (Over)/under provision in prior year	262	-
• Previously unrecognised CFC losses now recouped to reduce current tax expense	(31)	-
• Other	(183)	-
Income tax expense reported in the consolidated statement of comprehensive income	990	1,038

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

Deferred tax assets comprise:

	2018	2017
	\$'000	\$'000
Share issue costs	503	861
Provisions for employee benefits	211	136
Depreciation	48	164
Other timing differences	522	2
	1,284	1,163

Deferred tax liabilities comprise:

	2018	2017
	\$'000	\$'000
Accelerated depreciation for income tax purpose	118	-

NOTE 6: INCOME TAX (continued)

2018	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Acquisitions/ disposals \$'000	Closing balance \$'000
Reconciliation of deferred tax assets					
Share issue costs	861	(358)	—	—	503
Provisions for employee benefits	136	75	—	—	211
Depreciation	164	(116)	—	—	48
Other timing differences	2	520	—	—	522
	1,163	121	—	—	1,284
Reconciliation of deferred tax liabilities					
Accelerated depreciation for income tax purposes	-	118	—	—	118
	-	118	—	—	118

2017	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Acquisitions/ disposals \$'000	Closing balance \$'000
Reconciliation of deferred tax assets					
Share issue costs	—	—	861	—	861
Provisions for employee benefits	143	(7)	—	—	136
Depreciation	141	23	—	—	164
Other timing differences	2	—	—	—	2
	286	16	861	—	1,163

NOTE 7: SEGMENT REPORTING

For management purposes, the Group managed its operations as a single business unit. All of the Group's activities are interrelated, and discrete financial information is reported to the Board of Directors as a single segment. Accordingly, all significant operating decisions are based upon the analysis of the Group as one segment. The financial results from this segment are equivalent to the consolidated financial statements of the Group as a whole.

The revenue from external customers based on geographical areas is significantly attributed to Australia, which accounts for approximately 76% of the total revenue. Customers from other countries individually contribute to approximately 26% of the total revenue.

Non-current assets (excluding deferred tax assets and goodwill) based on geographical areas is attributed as follows:

- Australia 39%
- Singapore 31%
- Philippines 22%
- UAE 6%
- Ukraine 2%

NOTE 8: EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated as net profit (loss) attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit (loss) attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends);
- After-tax effects of dividends and interests associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues and expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

NOTE 8: EARNINGS (LOSS) PER SHARE (continued)

	2018	2017 (Restated)
Basic earnings (loss) per share (cents per share)	0.72	(4.28)
Diluted earnings (loss) per share (cents per share)	0.71	(4.28)
Weighted average number of ordinary shares - basic	380,446,009	300,438,356
Weighted average number of ordinary shares - diluted	382,592,675	300,438,356

Options and performance rights are considered to be potential ordinary shares and are included in the determination of diluted earnings per share to the extent to which they are dilutive.

On 30 June 2018, 2,146,666 performance rights are considered to be dilutive.

On 30 June 2017, 11,000,000 options and 1,273,000 performance rights were considered to be anti-dilutive and therefore these potential ordinary shares did not have an effect on the computation of weighted average number of shares.

NOTE 9: CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, current accounts with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and which are free from encumbrances.

	2018 \$'000	2017 \$'000
Cash in bank – at call	5,625	17,694
Cash on hand	2	4
	5,627	17,698

The reconciliation of net profit (loss) for the year to net cash flows from operating activities is as follows:

	2018 \$'000	2017 (Restated) \$'000
Net profit (loss) for the year	2,733	(12,861)
Adjustments for:		
Depreciation and amortisation	2,104	1,346
Foreign exchange losses – net	908	483
Forgiveness of advances to related parties	-	16,050
Share-based payment expense	602	1,044
Cash flow before changes in working capital	6,347	6,062
Working capital changes:		
Other financial assets	(219)	76
Trade and other receivables	(1,337)	(850)
Prepayments and other deposits	(405)	822
Deferred tax asset	(113)	(16)
Other non-current assets	(917)	21
Trade and other payables	1,602	824
Accrued expenses	51	592
Other current liabilities	782	64
Deferred revenue – net	2,319	3,531
Income tax payable	(117)	806
Other non-current liabilities	-	91
Provision for employees' end of service benefits	(118)	115
Net cash flows from operating activities	7,875	12,138

NOTE 10: OTHER FINANCIAL ASSETS

	2018 \$'000	2017 \$'000
Bank Guarantees (Note 19)	39	35
Restricted Deposits	342	119
	381	154

Restricted Deposits represent the restricted portion of cash held in a financial institution in accordance with the existing contract. The amount is released from restriction after three months.

NOTE 11: TRADE AND OTHER RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the date of the consolidated statement of financial position, which are classified as non-current assets.

The Group's loans and receivables comprise 'trade and other receivables (excluding advances to suppliers)', 'other financial assets (Note 10)', and 'advances to related parties (Note 24)' in the consolidated statement of financial position. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 3 days to 10 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the consolidated statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the consolidated statement of comprehensive income.

	2018 \$'000	2017 \$'000
Merchant receivables	1,265	661
Advances to suppliers	2,863	1,901
Goods and services tax – Australia	760	625
Other receivables	318	211
	5,206	3,398

The maximum exposure to credit risk at reporting date is the carrying value of each class of receivable mentioned above.

The total balance of merchant receivables is aged as neither past due nor impaired for both years presented.

NOTE 12: PREPAYMENTS AND OTHER DEPOSITS

	2018 \$'000	2017 \$'000
Subscription	640	403
Warranty	146	175
Rent	69	62
Other prepayments	90	26
Insurance	55	30
Advertising	64	3
Other deposits	160	112
	1,224	811

NOTE 13: PROPERTY AND EQUIPMENT

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Data centre equipment	2-5 years
Leasehold improvements	5 years
Computer equipment	2-3 years
Furniture and fixtures	4-5 years
Motor vehicles	5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition and disposal

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Impairment

The carrying values of property and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of property and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the CGU to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value. An impairment exists when the carrying value of an asset or CGU exceeds its estimated recoverable amount. The asset or CGU is then written down to its recoverable amount.

For property and equipment, impairment losses are recognised in the consolidated statement of comprehensive income.

Maintenance and repairs are charged to expenses as incurred, and renewals and improvements, which extend the life of the asset, are capitalised and amortised over the remaining life of the asset.

Construction in progress

Properties or assets in the course of construction for production, supply or administrative purposes, assets purchased but not put to use, or for purposes not yet determined, are carried at cost less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the construction in progress is transferred to the appropriate property and equipment category and is depreciated in accordance with the Group's policies.

NOTE 13: PROPERTY AND EQUIPMENT (continued)

	Data Centre Equipment \$'000	Leasehold Improvements \$'000	Computer & Office Equipment \$'000	Furniture and Fixtures \$'000	Motor Vehicles \$'000	Construction in Progress \$'000	Total \$'000
Cost							
As at 1 July 2016	2,041	1,543	1,303	481	64	138	5,570
Additions	1,205	29	127	51	—	238	1,650
Acquired through business combination (Note 25)	961	—	—	—	—	—	961
Transfers	94	142	15	1	—	(252)	—
Exchange differences on translation of foreign operations' financial statements	—	(87)	(87)	(32)	(3)	—	(209)
As at 30 June 2017	4,301	1,627	1,358	501	61	124	7,972
Additions	1,723	1	185	10	-	4,395 ¹	6,314
Acquired through business combination	862	80	126	14	-	-	1,082
Disposals	(1)	-	(10)	-	-	(14)	(25)
Transfers	114	-	6	-	-	(120)	-
Exchange differences on translation of foreign operations' financial statements	71	(6)	(1)	(5)	-	40	99
As at 30 June 2018	7,070	1,702	1,664	520	61	4,425	15,442
Accumulated Depreciation							
As at 1 July 2016	1,410	999	961	297	41	—	3,708
Depreciation for the year	642	222	304	91	5	—	1,264
Exchange differences on translation of foreign operations' financial statements	—	(42)	(62)	(21)	(1)	—	(126)
As at 30 June 2017	2,052	1,179	1,203	367	45	—	4,846
Depreciation for the year	1,459	251	171	61	5	-	1,947
Disposals	(1)	-	(6)	-	-	-	(7)
Exchange differences on translation of foreign operations' financial statements	10	(4)	(11)	(6)	-	-	(11)
As at 30 June 2018	3,520	1,426	1,357	422	50	-	6,775
Carrying value							
As at 30 June 2017	2,249	448	155	134	16	124	3,126
As at 30 June 2018	3,550	276	307	98	11	4,425	8,667

¹ During the year, the Group relocated to Singapore to house the executive team, finance, administration and human resources functions for the Dreamscape Networks group. In addition, with the expansion of SEA business, the Group has expanded its team in Cebu and is looking to relocate to a larger office for customer care and technical support facility by the first quarter of the coming financial year. The construction of both offices are still in progress as of balance date and construction is estimated to be completed by the first quarter of the coming financial year.

NOTE 14: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of the cost of investment over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs), to which the goodwill relates. When the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a CGU (group of CGUs) and an operation within that unit is disposed of, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed and the portion of the CGU retained. Impairment losses recognised for goodwill are not subsequently reversed.

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of two to five years.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment of tangible and intangible assets other than goodwill

The Group assesses at each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the CGU to which it belongs. When the carrying amount of an asset or CGU unit exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

NOTE 14: GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

	Provisionally accounted intangibles \$'000	Goodwill \$'000	Software \$'000	Total \$'000
Cost				
As at 1 July 2016	–	1,603	308	1,911
Additions	–	–	13	13
Acquired through business combination	2,612	–	–	2,612
Exchange differences on translation of foreign operations' financial statements	–	–	(14)	(14)
As at 30 June 2017	2,612	1,603	307	4,522
Additions	–	–	725	725
Acquired through business combination	33,304	5,297	40	38,641
Transfers ³	(2,612)	2,612	–	–
Exchange differences on translation of foreign operations' financial statements	–	–	8	8
As at 30 June 2018	33,304	9,512	1,082	43,896
Accumulated Amortisation				
As at 1 July 2016	–	–	200	200
Amortisation for the year	–	–	82	82
Exchange differences on translation of foreign operations' financial statements	–	–	(8)	(8)
As at 30 June 2017	–	–	274	274
Amortisation for the year	–	–	157	157
Exchange differences on translation of foreign operations' financial statements	–	–	6	6
As at 30 June 2018	–	–	437	437
Accumulated Impairment				
As at 1 July 2016	–	603	–	603
Impairment for the year	–	–	–	–
As at 30 June 2017	–	603	–	603
Impairment for the year	–	–	–	–
As at 30 June 2018	–	603	–	603
As at 30 June 2017	–	3,612	33	3,645
As at 30 June 2018	33,304	8,909	643	42,856

Goodwill is related to the acquisition of Dreamscape, Net Logistics and Enetica Group. Under impairment testing, the carrying amount of each CGU is compared to its recoverable amount using value in use. In determining the value in use, management have prepared cash flow projections using the following assumptions:

	Rate
Growth rate year 1 ¹	3%
Growth rate year 2-5 ¹	3%
Growth rate after year 5 ¹	3%
Discount rate ²	9%

¹ The growth rates are conservative assumptions based on management's internal expectations and forecasts. Results used in computing value in use are based on board-approved budget.

² The discount rate used reflects specific risks relating to the segments and the countries in which it operates. Segment-specific risk is incorporated by applying individual beta which is assessed annually based on publicly available data.

³ The Net Logistics acquisition was provisionally accounted for in the previous year. The acquisition accounting was finalised in the current year and no change has been made to the provisional figures.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU. Based on these calculations, goodwill is not impaired during the current year.

NOTE 15: TRADE AND OTHER PAYABLES

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Trade and other payables are presented as current liabilities. These amounts are unsecured and are usually paid within 30 days of recognition.

	2018 \$'000	2017 \$'000
Trade payables	3,301	2,781
Good and services tax – Australia	1,059	-
Good and services tax – New Zealand	89	104
Credit card payables	145	44
Other payables	418	57
	5,012	2,986

NOTE 16: BORROWINGS

	2018 \$'000	2017 \$'000
Secured bank loan		
Current	313	-
Non-current	11,506	-
Total	11,819	-

As announced to the ASX on 28 December 2017, the Company finalised a \$20 million three-year cash advance facility with the Commonwealth Bank of Australia (CBA) to assist with the funding of business acquisitions. The CBA bank facility has a maturity date of 28 December 2020 and attracts a commercial interest rate based on the relevant period BBSY rate.

The facility is secured over the assets of the Australian subsidiaries of the Group and a negative pledge over the Group's assets.

At 30 June 2018, the Company had an undrawn balance of \$7.815 million available from this facility.

Costs related to the loan agreement of \$442,745 were offset against the loan as debt issuance costs. These costs are then amortised over the life of the loan.

Changes in liabilities arising from financing activities

	Bank loan \$'000	Related party loan ¹ \$'000	Total \$'000
Balance at 1 July 2017	-	-	-
Funding during the year	12,300	3,000	15,300
Repayments during the year	(115)	(3,000)	(3,115)
Capitalised borrowing costs	(443)	-	(443)
Amortisation of borrowing costs	77	-	77
Balance at 30 June 2018	11,819	-	11,819

¹ Refer to Note 24 for details of this related party loan.

NOTE 17: ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses are recognised for costs of business or expenses that were incurred during the reporting period but unpaid at the end of the reporting period.

Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave expected to be settled within 12 months from the reporting date are recognised in other current liabilities in respect of employees' services as at reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

	2018 \$'000	2017 (Restated) \$'000
Accrued expenses		
Salaries and benefits	1,112	698
Direct product costs	947	1,383
Marketing and promotions	122	438
Professional fees	247	180
Others	136	101
Interest expense	42	-
	2,606	2,800
Other current liabilities		
Employee-related benefits	803	718
Employee-related taxes	339	135
Other liabilities	606	113
	1,748	966

NOTE 18: PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. These provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Provisions are classified as current liabilities unless the Group has an expectation that the settlement of the liability will occur at least 12 months after the reporting date.

End of service and retirement benefits

- For entities registered in the United Arab Emirates (UAE)

Estimated amounts required to cover employees' end of service benefits at year-end are computed pursuant to the Law No. 8 of 1980 of UAE Federal Labour Law and other local labour laws based on the employees' accumulated period of service and current remuneration at year-end.

The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

- For entity registered in the Philippines

The Company recognises the retirement benefit cost of its personnel based on the provisions of Philippine Republic Act 7641, Retirement Pay Law.

The Company classified its retirement benefit as a defined benefit plan. Under the defined benefit plan, the cost of providing benefits is determined using the simplified projected unit credit method, with valuations being carried out at the end of each annual reporting period. Re-measurement comprising actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in equity and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period. Net interest is calculated by applying the discount rate at the beginning of the period to the defined benefit liability or asset. Defined benefit costs are categorised as follows:

NOTE 18: PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS (continued)

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Re-measurement

The entity presents the first two components of defined benefit costs in profit or loss as part of salaries and benefits.

Superannuation

For entities registered in Australia, superannuation benefits are contributed to numerous, but solely accumulation-type superannuation funds at fixed percentages of salary pursuant to employee contracts and statutory obligations.

	2018 \$'000	2017 \$'000
Provision for employees' end of service benefits (non-current)		
Opening balance	409	294
Charges for the year	79	136
Payments	(76)	(21)
Reversal	(121)	-
	291	409

NOTE 19: CONTINGENT LIABILITIES

At 30 June 2018, the Group had contingent liabilities in respect of bank guarantees amounting to \$39,190 (2017: \$34,979), arising in the ordinary course of business from which it is anticipated that no material liabilities will arise (Note 10).

NOTE 20: COMMITMENTS

(a) Capital commitments

Capital commitments not provided for in the financial statements:

	2018 \$'000	2017 \$'000
Capital commitments in respect of property and equipment (due within one year)	1,620	-

(b) Lease commitments – where the Group is a lessee

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight line basis over the period of the lease.

Operating lease payments are recognised as an operating expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

The Group has entered into operating leases with respect to certain office premises. The lease terms are between 1-5 years, which are renewable at the end of the lease period. The future minimum lease payments are as follows:

	2018 \$'000	2017 \$'000
Within 1 year	2,491	437
Within 2-5 years	6,844	462
	9,355	899

NOTE 20: COMMITMENTS (continued)

(c) Lease commitments – where the Group is a lessor

The Group leases out office premises space to non-related parties under non-cancellable operating leases. The future minimum lease receivables under non-cancellable operating leases contracted for at the balance date but not recognised as receivables, are as follows:

	2018 \$'000	2017 \$'000
Within 1 year	86	-
Within 2-5 years	50	-
	136	-

NOTE 21: ISSUED CAPITAL

Ordinary shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new equity instruments are shown in equity as a deduction from the proceeds, net of taxes.

	2018 \$'000	2017 \$'000
<i>Ordinary shares</i>		
Issued and fully paid	23,225	12,920

	Year to 30 June 2018		Year to 30 June 2017	
	No.	\$'000	No.	\$'000
<i>Movements in ordinary shares</i>				
Balance at beginning of year	344,000,000	12,920	10,000	10
Issued as consideration for acquisition of Vodien ¹	42,500,000	9,987	-	-
Issued on conversion of performance rights	1,273,333	318	-	-
Issued pursuant to prospectus	-	-	60,000,000	15,000
Settlement with founding shareholders ²	-	-	40,000,000	-
Shares issued on acquisition of legal parent ³	-	-	243,990,000	(80)
Share issue costs incurred (net of tax-effect)	-	-	-	(2,010)
Balance at end of year	387,773,333	23,225	344,000,000	12,920

¹ On 31 July 2017, The Company announced it had completed the acquisition of the Vodien Group, comprising Vodien Internet Solutions Pte Ltd and all related companies and businesses. The acquisition was wholly internally funded through the issue of 42.5 million shares and the payment of SGD \$20 million cash.

² Pursuant to the Company's IPO Prospectus lodged with ASIC on 3 November 2016, the proceeds from the issue of 40,000,000 ordinary shares (\$10,000,000) were paid directly to the previous shareholders of Pandora Enterprise Holdings, Ltd as this formed part of the consideration for the acquisition of Pandora Enterprise Holdings Ltd.

³ The deemed consideration for shares issued to acquire the legal parent represents the net liabilities of the legal parent at the date of acquisition. The number of shares above has been determined to be the number of shares required to be issued to effect the transaction.

NOTE 21: ISSUED CAPITAL (continued)

Options

No options were issued during the year.

	Year to 30 June 2018		Year to 30 June 2017	
	No.	\$'000	No.	\$'000
<i>Movements in share options</i>				
Balance at the beginning of the year	27,500,000	862	-	-
Issued during the year	-	-	27,500,000	862
Exercised into ordinary shares	-	-	-	-
Expensed during the year	-	215	-	-
Balance at end of year	27,500,000	1,077	27,500,000	862

All options on issue relate to options issued to Directors and an Executive as well as to the Lead Manager of the Company's IPO. These are as follows:

Directors and Executive

	Number	Grant Date	Expiry Date	Exercise Price	Vesting Date
Tranche 1	11,000,000	2 November 2016	30 June 2020	\$0.25	30 June 2017
Tranche 2	8,250,000	2 November 2016	30 June 2021	\$0.35	30 June 2018
Tranche 3	8,250,000	2 November 2016	30 June 2022	\$0.45	30 June 2019
	<u>27,500,000</u>				

Lead Manager

Number	Grant Date	Expiry Date	Exercise Price	Vesting Date
2,814,900	1 December 2016	31 December 2019	\$0.25	1 December 2016

The Black-Scholes model inputs for all options on issue are disclosed in Note 22.

No share options were exercised during the year.

Performance rights

No performance rights were issued during the year.

	Year to 30 June 2018		Year to 30 June 2017	
	No.	\$'000	No.	\$'000
<i>Movements in performance rights</i>				
Balance at the beginning of year	3,820,000	318	-	-
Issued during the year	-	-	3,820,000	-
Converted into ordinary shares	(1,273,333)	(318)	-	-
Cancelled during the year	(400,000)	(53)	-	-
Expensed during the year	-	440	-	318
Balance at end of year	2,146,667	387	3,820,000	318

At 30 June 2018, the directors have resolved that the Tranche 2 vesting condition has been achieved for those employees still with the Company. As a result, a value of \$440,048 has been expensed, with a corresponding amount being reflected in share based payments reserve.

For those who ceased their employment with the Company during the financial year, the respective performance rights were cancelled and the amount of \$52,548 previously expensed was reversed.

NOTE 21: ISSUED CAPITAL (continued)

The following performance rights on issue are as follows:

	Number	Expiry Date	Vesting Condition
Tranche 2	1,073,333	31 July 2018	The holder remains in the employment of any company in the Group at 30 June 2018
Tranche 3	1,073,334	31 July 2019	The holder remains in the employment of any company in the Group at 30 June 2019
	<u>2,146,667</u>		

During the year, 1,273,333 performance rights under Tranche 1, all of which were held by an executive and other senior employees, were converted into ordinary shares.

NOTE 22: SHARE-BASED PAYMENT RESERVE

The Group provides benefits to employees (including senior executives) and suppliers in the form of share-based payments, whereby employees and suppliers render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Dreamscape Networks Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The consolidated statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. Transfers are made from the share-based payment reserve to either accumulated losses or issued capital upon the exercise/cancellation of options or issue of ordinary shares upon achievement of performance rights vesting conditions, respectively.

	2018 \$'000	2017 \$'000
Share options reserve	1,077	862
Performance rights	705	318
	<u>1,782</u>	<u>1,180</u>

No new share based payment arrangements relating to options and performance rights were entered into during the year.

Share options

The following table illustrates the number and weighted average exercise prices of and movements in share options on issue during the year:

	Year to 30 June 2018		Year to 30 June 2017	
	No.	Weighted average exercise price \$	No.	Weighted average exercise price \$
Outstanding at the beginning of the year	27,500,000	0.34	-	-
Granted during the year	-	-	27,500,000	0.34
Exercised, lapsed, or cancelled during the year	-	-	-	-
Outstanding at the end of the year	27,500,000	0.34	27,500,000	0.34
Exercisable at the end of the year	19,250,000	0.29	11,000,000	0.25

The share options outstanding at the end of the year has a weighted average remaining contractual life of 1,060 days (2017: 1,425 days).

NOTE 22: SHARE-BASED PAYMENT RESERVE (continued)

The fair value of the equity-settled share options on issue or granted during the year is estimated at the date of grant using the Black- Scholes model taking into account the terms and conditions upon which the options were granted. The model input for the options on issue during the year are detailed as follows:

	Tranche 1	Tranche 2	Tranche 3
Expected volatility (%)	25	25	25
Risk-free interest rate (%)	1.53	1.53	1.53
Expected life of options (years)	3.7	4.7	5.7
Exercise price (AUD)	\$0.25	\$0.35	\$0.45
Grant date share price (AUD) ¹	\$0.25	\$0.25	\$0.25

¹Grant date share price deemed to be the IPO capital raising price.

Performance rights

No performance rights were issued during the year.

The performance rights have been valued at \$0.25 each, based on the IPO capital raising price. The Company will be required to record the value of these rights in its accounting records over the vesting period however this will only commence when the directors believe it is probable that any of the vesting conditions will be achieved.

NOTE 23: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's overall risk management administers minimisation or avoidance of potential issues brought by external factors, such as market unpredictability, that may bring unfavourable effects on the financial performance of the Group.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

Financial Risk Management

The Group is exposed to credit risk, liquidity risk, and market risk (including foreign currency exchange rate).

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Financial assets that potentially subject the Group to concentrations of credit risk consist principally of 'trade and other receivables' (except 'advances to suppliers') and 'cash and cash equivalents'.

NOTE 23: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The categories of financial instruments are as follows:

	2018	2017 (Restated)
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	5,627	17,698
Loans and receivables	2,343	1,497
	7,970	19,195
Financial liabilities		
Other financial liabilities	21,185	7,744

The fair values of financial assets and liabilities approximate their carrying values.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Summarised in the table below is the maturity profile of financial liabilities based on the remaining period, at the end of the reporting period and to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Weighted average interest rate	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	More than 1 year \$'000	Total \$'000
Financial liabilities at 30 June 2018						
Trade and other payables	—	1,080	1,545	2,387	—	5,012
Borrowings	4.85	165	98	775	12,549	13,587
Accrued expenses	—	1,240	375	991	—	2,606
Other current liabilities	—	523	603	622	—	1,748
Total		3,008	2,921	4,775	12,549	22,953
Financial liabilities at 30 June 2017						
Trade and other payables	—	1,681	104	1,201	—	2,986
Accrued expenses	—	1,686	55	51	—	1,792
Other current liabilities	—	331	—	—	—	331
Total		3,698	159	1,252	—	5,109

Foreign currency exchange rate risk management

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (revenue or expense is denominated in a foreign currency) and intercompany balances and transactions. The exposures to exchange rate fluctuations depend on the economic activity of each entity and where it operates.

The Group identifies the major currencies required in its operating activities and constantly monitors their respective exchange rate movements by economic indicators from major events. The Group computes the current and forecasted cash inflows and outflows for each currency, identifies consumption requirement, and takes benefit by purchasing required foreign currency when it is favourable. The Group also mitigates the risk through exposure netting.

The table below shows the Group's net monetary assets (liabilities) that are originally denominated in currencies other than the functional currency (FC) of the entities of the Group. All amounts are converted in AUD.

Foreign currency	2018 \$'000	2017 \$'000
In AED	9	212
In AUD	48	2,388
In EUR	53	665
In GBP	(26)	(63)
In NZD	(2)	525
In PHP	(4)	-
In SGD	246	1,226
In USD	631	2,768

NOTE 23: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The sensitivity analysis below details the Group's sensitivity to fluctuations of exchange rates on their respective countries of operations. The sensitivity analysis includes only outstanding foreign currency denominated monetary items of the Group where the denomination of the balance is in a currency other than the currency of the lender or the borrower and adjusts their translation balance date for a 5% change in foreign currency rates. A 5% sensitivity rate used when reporting foreign currency risk internally to management and represents management's assessment of the possible change in foreign exchange rates.

At reporting date, if foreign exchange rates had been 5% higher or lower and all other variables were held constant, the following are the effect in the consolidated financial statements:

Functional currency	Foreign currency	Effect on Profit before income tax \$'000
AUD	SGD	+/-12
AUD	EUR	+/-3
AUD	USD	+/-34
SGD	AUD	+/-7
SGD	USD	+/-2
PHP	AUD	+/-10

The Group has no material exposure to foreign currency risk.

NOTE 24: RELATED PARTY DISCLOSURES

The Group entered into transactions with parties that fall within the definition of a related party as contained in AASB 124. Related parties comprise the key management personnel and entities over which they have the ability to control or exercise a significant influence in financial and operating decisions.

During the period, the Group entered into the following significant transactions with related parties in the ordinary course of business.

(a) Key management compensation

	2018 \$	2017 \$
Compensation to key management personnel comprises:		
Salaries and other short term employee benefits	1,715,504	1,711,208
Share-based payments	290,277	775,454
Termination and post-employment benefits	116,573	205,528
	2,122,354	2,692,190

No member of key management personnel appointed as a Director during the period received a payment as part of his or her consideration for agreeing to hold the position.

(b) Transactions with related parties

The following transactions took place between the Group and related parties, who are not members of the Group during the financial year on terms agreed by the parties concerned:

	2018 \$	2017 \$
Purchases from a company in which a director has controlling interest ¹	8,305	-

On 31 October 2017, a loan agreement was entered into with Cloudsafe Holdings Limited, a company owned by CEO and Managing Director, Mark Evans, for \$3 million. The agreement was entered into at arm's length and interest charged at 8% per annum. Funds were used for a business acquisition and the loan has been repaid in full prior to balance date. Total interest paid on the loan was \$120,000.

¹During the year, the Company also entered into an agreement with Siteplus Pte. Ltd for the development and licensing of software promoted and commercialised by the Company. Siteplus is a related party to CEO and Managing Director, Mark Evans. The agreement was entered into at arm's length.

As reported in the half-year financial report for the six months to 31 December 2016, advances to vendors, being the shareholders of Pandora Enterprise Holdings Ltd, amounting to \$16.05 million at the date of the acquisition, were forgiven upon acquisition of Pandora Enterprise Holdings Ltd.

NOTE 25: BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Acquisition-related costs are expensed as incurred.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Provisional accounting

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

NOTE 25: BUSINESS COMBINATIONS (continued)

Vodien Group

On 31 July 2017, Dreamscape Networks Limited acquired 100% of the share capital of Vodien Internet Solutions Pte. Ltd. and its wholly owned subsidiaries. Vodien Group provides domain registration and internet hosting services, currently holds the highest market share in website hosting in Singapore.

The acquisition is in line with the strategy of the Group to expand using complementary business located in South East Asia.

The provisional fair value of identifiable assets and liabilities acquired in the business combination are as follows:

	\$'000
Net assets acquired	
Cash and cash equivalents	730
Trade and other receivables	311
Prepayments and other current assets	8
Property and equipment	1,083
Intangible assets	40
Other non-current assets	34
Trade and other payables	(395)
Deferred revenue	(2,905)
Income tax payable	(248)
Deferred tax liabilities	(110)
Fair value of net assets acquired	(1,452)
Consideration:	
Cash	18,456
Shares issued at fair value – 42.5 million shares at 23.5 cents ¹	9,987
	28,443
Excess consideration paid over net assets acquired ²	29,895

¹ The Share Sale and Purchase Agreement for the Vodien acquisition deemed the shares to be issued at 25 cents per share, however under AASB2, the shares issued are required to be measured at the date the transaction was completed (31 July 2017) at which date the shares had a market price of 23.5 cents.

² At reporting date, the business combination has been accounted for using provisional amounts in accordance with AASB 3.

The net cash outflow from the acquisition is as follows:	\$'000
Cash paid as consideration	18,456
Initial refundable deposit paid on 23 June 2017	(1,908)
Net cash acquired	(730)
Net cash outflow	15,818

Acquisition related costs of \$119,278 are included in the condensed consolidated statement of comprehensive income for this reporting period.

From the date of acquisition, Vodien Internet Solutions Pte Ltd and its subsidiaries have contributed \$9.9 million to the consolidated revenue and approximately \$2.3 million to the consolidated profit after tax attributable to the members of the parent.

NOTE 25: BUSINESS COMBINATIONS (continued)

Enetica Group

On 31 October 2017, Dreamscape Networks Limited acquired 100% of the share capital of Enetica Pty. Ltd. and Web City Australia Pty. Ltd., while Vodien Internet Solutions Pte. Ltd. acquired 100% of the share capital of Web City International Pte. Ltd. The three (3) acquired entities, known as Enetica Group, provides domain registration and internet hosting services, with data centres servicing from Sydney, Australia.

The acquisition expands the Group's hosting footprint in Australia, bringing into the business more than 15,000 customers and 70,000 registered domains.

The fair value of identifiable assets and liabilities acquired in the business combination are as follows:

	\$'000
Net assets acquired	
Cash and cash equivalents	434
Trade and other receivables	12
Trade and other payables	(29)
Deferred revenue	(1,287)
Fair value of net assets acquired	(870)
Consideration paid - cash	4,427
Goodwill recognised from the acquisition	5,297

The net cash outflow from the acquisition is as follows:

	\$'000
Cash paid as consideration	4,427
Net cash acquired	(434)
Net cash outflow	3,993

Acquisition related costs of \$113,412 are included in the condensed consolidated statement of comprehensive income for this reporting period.

From the date of acquisition, Enetica and its subsidiaries have contributed \$1.8 million to the consolidated revenue and approximately \$0.6 million to the consolidated profit after tax attributable to the members of the parent.

Quadra Hosting

On 31 January 2018, Dreamscape Networks Limited completed the acquisition of the customers, systems, and brand assets of the business operating as Quadra Hosting.

Quadra Hosting is a Gold Coast-based business with a solid local reputation. Principally focused on web hosting, approximately 95% of Quadra's business comes from Hosting, with 5% coming from re-selling Domain Registrations.

The company has identified all the assets and liabilities but is yet to measure their respective fair values at acquisition date, except for the deferred revenue balance.

As such, the acquisition has been provisionally accounted for in accordance with AASB 3. Any potential adjustments to provisional amounts, and the identification of newly identifiable assets and liabilities, will be made within the measurement period.

The provisional fair value of identifiable assets and liabilities acquired in the business combination are as follows:

	\$'000
Net assets acquired	
Customer contracts	-
Systems	-
Brand assets	-
Deferred revenue	(308)
Fair value of net assets acquired	(308)
Consideration paid - cash	2,500
Excess consideration paid over net assets acquired ¹	2,808

NOTE 25: BUSINESS COMBINATIONS (continued)

The net cash outflow from the acquisition is as follows:	\$'000
Cash paid as consideration	2,500
Net cash acquired	-
Net cash outflow	2,500

¹ At reporting date, the business combination has been accounted for using provisional amounts in accordance with AASB 3.

From the date of acquisition, Quadra has contributed \$0.5 million to the consolidated revenue of the Group.

[Whois](#)

On 12 March 2018, Dreamscape Networks Limited completed the acquisition of the customers, systems, and brand assets of the business operating as Whois.

The company has identified all the assets and liabilities but is yet to measure their respective fair values at acquisition date.

As such, the acquisition has been provisionally accounted for in accordance with AASB 3. Any potential adjustments to provisional amounts, and the identification of newly identifiable assets and liabilities, will be made within the measurement period.

The provisional fair value of identifiable assets and liabilities acquired in the business combination are as follows:

	\$'000
Net assets acquired	
Customer contracts	-
Systems	-
Brand assets	-
Deferred revenue	-
Fair value of net assets acquired	-
Consideration paid - cash	301
Excess consideration paid over net assets acquired ¹	301

The net cash outflow from the acquisition is as follows:	\$'000
Cash paid as consideration	301
Net cash acquired	-
Net cash outflow	301

¹ At reporting date, the business combination has been accounted for using provisional amounts in accordance with AASB 3.

[Glasshat](#)

On 8 June 2018, the Company successfully acquired Glasshat Pty Ltd. Glasshat is an automated Search Engine Optimisation (SEO) platform enabled for Do It Yourself (DIY) and managed service application for Small Medium Businesses (SMB's).

Dreamscape Networks was a reseller of Glasshat and was able to acquire the technology in June 2018 after the product owner went into Administration after years of hard work and \$5 million of investment.

The company has identified all the assets and liabilities but is yet to measure their respective fair values at acquisition date.

As such, the acquisition has been provisionally accounted for in accordance with AASB 3. Any potential adjustments to provisional amounts, and the identification of newly identifiable assets and liabilities, will be made within the measurement period.

NOTE 25: BUSINESS COMBINATIONS (continued)

The provisional fair value of identifiable assets and liabilities acquired in the business combination are as follows:

	\$'000
Net assets acquired	
Customer contracts	-
Systems	-
Brand assets	-
Deferred revenue	-
Fair value of net assets acquired	-
Consideration paid - cash	300
Excess consideration paid over net assets acquired ¹	300
The net cash outflow from the acquisition is as follows:	\$'000
Cash paid as consideration	300
Net cash acquired	-
Net cash outflow	300

¹ At reporting date, the business combination has been accounted for using provisional amounts in accordance with AASB 3.

Summary

(i) Reconciliation of movements in intangibles for the year:

	\$'000
Total consideration paid for acquisitions	35,971
Net liabilities acquired	2,630
Excess consideration paid over net liabilities acquired	38,601
Allocated as follows (Note 14):	
Provisionally accounted intangibles	33,304
Goodwill recognised on acquisition	5,297
	38,601

(ii) Reconciliation of net cash outflow on acquisitions:

Cash paid as consideration	25,984
Less Net cash acquired	(1,164)
Initial refundable deposit paid	(1,908)
Net amount per Statement of Cash Flows	22,912

NOTE 26: INTERESTS IN SUBSIDIARIES

The consolidated financial statements include the financial statements of Dreamscape Networks Limited and its subsidiaries listed in the table below:

Name of subsidiary	Registration and operation	Beneficial interest	% Equity Interest		Cost of Investment \$'000	
			2018	2017	2018	2017
Pandora Enterprise Holdings Ltd	British Virgin Islands	100%	100%	100%	10,234	10,234
Crazy Domains FZ-LLC	United Arab Emirates	100%	100%	100%	13	13
Dreamscape Networks FZ-LLC	United Arab Emirates	100%	100%	100%	13	13
Dreamscape Networks (Australia) Pty Ltd.	Australia	100%	100%	100%	—	—
Web Address Registration Pty Ltd.	Australia	100%	100%	100%	1,000	1,000
Dreamscape Networks Europe Limited ¹	Cyprus	100%	100%	—	7	7
Dreamscape Networks Inc.	Philippines	100%	100%	57%	2	2
Dreamscape Networks Pte. Ltd.	Singapore	100%	100%	100%	1	1
Dreamscape Networks (Thailand) Co. Ltd. ²	Thailand	N/A	100%	N/A	194	194
Dreamscape Networks LLC	Ukraine	100%	100%	100%	5	5
Dreamscape Networks, Inc. ¹	United States of America	100%	100%	100%	2	2
Net Logistics Pty Ltd.	Australia	100%	100%	100%	2,853	2,853
Dreamscape Networks International Pte. Ltd.	Singapore	100%	100%	—	—	—
Enetica Pty. Ltd	Australia	100%	100%	—	1,000	—
Webcity Australia Pty Ltd	Australia	100%	100%	—	457	—
Vodien Internet Solutions Pte. Ltd. ³	Singapore	100%	100%	—	28,443	—
Webcity International Pte Ltd	Singapore	100%	100%	—	3,000	—
SGDomains.com Pte. Ltd. ³	Singapore	100%	100%	—	—	—
IT Works Internet Pte. Ltd. ³	Singapore	100%	100%	—	—	—
Singhost Pte. Ltd. ³	Singapore	100%	100%	—	—	—
Cloud Hosting Pte. ³ Ltd.	Singapore	100%	100%	—	—	—
Cloud Hosting Sdn Bhd ³	Malaysia	100%	100%	—	—	—
Quest Rightshoring Services Inc ³	Singapore	100%	100%	—	—	—
Quest Rightshoring Services Inc ³	Philippines	100%	100%	—	—	—

¹Dormant entity

²On 9 March 2017, the directors of the Company deregistered Dreamscape Networks (Thailand) Co. Ltd. due to inactivity. As of 30 June 2018, the process of de-registration with the Department of Business Development in Thailand is in progress. Due to the immateriality of the balances, the profit or loss from discontinued operations was not shown separately in the consolidated statement of comprehensive income.

³ Vodien Internet Solutions and its subsidiaries were acquired for total consideration of \$28.44 million. The cost of investment has been allocated wholly to Vodien Internet Solutions Pte. Ltd.

NOTE 27: PARENT ENTITY DISCLOSURES

The financial information for the parent entity, Dreamscape Networks Limited, has been prepared on the same basis as the consolidated financial statements, except share-based payments. The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

STATEMENT OF FINANCIAL POSITION

	2018	2017
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	178	2,338
Trade and other receivables	-	11
Due from related parties	-	4,799
Other current assets	-	1,908
Total current assets	178	9,056
Non-current assets		
Investments in subsidiaries	42,988	13,087
Other investments	2,801	-
Deferred tax assets	862	862
Total non-current assets	46,651	13,949
TOTAL ASSETS	46,829	23,005
LIABILITIES		
Current liabilities		
Trade and other payables	56	79
Borrowings	313	-
Accrued expenses	132	88
Due to related parties	5,597	3
Other current liabilities	7	-
Income tax payable	581	848
Total current liabilities	6,686	1,018
Non-current liabilities		
Borrowings	11,506	-
Total non-current liabilities	11,506	-
TOTAL LIABILITIES	18,192	1,018
NET ASSETS	28,637	21,987
EQUITY		
Issued capital	33,540	23,233
Share-based payment reserve	1,465	1,180
Accumulated losses	(6,368)	(2,426)
TOTAL EQUITY	28,637	21,987

NOTE 27: PARENT ENTITY DISCLOSURES (continued)

STATEMENT OF COMPREHENSIVE INCOME

	2018 \$'000	2017 \$'000
Salaries and employee benefits	(591)	(1,012)
Marketing and promotions	(7)	(1)
General and administrative expenses	(1,067)	(567)
Operating loss	(1,665)	(1,580)
Other income - net		8
Finance cost	(391)	-
Foreign exchange losses - net	(1,185)	7
Loss before income tax	(3,241)	(1,565)
Income tax expense	(701)	(848)
Net loss for the year	(3,942)	(2,413)
Other comprehensive income, net of income tax	-	-
Total comprehensive loss for the year	(3,942)	(2,413)

NOTE 28: AUDITORS' REMUNERATION

	2018 \$	2017 \$
<u>Auditor of the parent</u>		
Audit or review services	87,000	94,874
Taxation compliance	5,500	55,560
Consultancy services	18,000	33,908
Investigating Accountant's Report	-	142,000
	110,500	326,342
<u>Network firm</u>		
Audit or review of the financial statements	27,905	23,588
<u>Non-network firm</u>		
Audit or review of the financial statements	55,273	9,524

NOTE 29: SIGNIFICANT EVENTS AFTER BALANCE DATE

Acquisition of Domain Name Registrar and Loan drawdown

On 1 July 2018, Dreamscape Networks Limited completed the acquisition of the customers, systems, and brand assets of the business operating as Domain Name Registrar ("DNR") for a total consideration of \$8.5 million. DNR is a business principally focused on domain registration (0.9% .au market share) and web hosting, with approximately 80% of their business coming from domain registration and 20% from hosting.

The consideration was funded through a drawdown of \$7.815 million from the Company's existing Cash Advance Facility with Commonwealth Bank of Australia and the balance from existing cash resources.

Conversion of Performance Rights

In line with the terms and conditions set out in the Company's prospectus dated 3 November 2016, 1,073,333 performance rights previously issued to Senior Employees of the Group were converted to ordinary shares on 31 July 2018 following achievement of the relevant Tranche 2 vesting condition. 400,000 performance rights lapsed as a result of vesting conditions being unable to be satisfied.

NOTE 29: SIGNIFICANT EVENTS AFTER BALANCE DATE (continued)

Acquisition of Webserver.sg

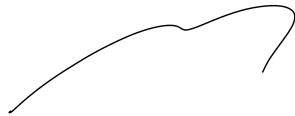
On 15 August 2018, the Group completed the acquisition of Webserver.sg Pte Ltd ("Webserver") for a cash consideration of Singapore Dollars \$460,000, funded from existing cash reserves of the Group. Webserver provides domain registration and internet hosting services in Singapore.

The Company is yet to determine whether the acquisitions above meet the definition of a business combination under Accounting Standard AASB 3 Business Combinations and has not finalised its initial accounting for the acquisitions. As a result, the various disclosure requirements of AASB 3 are unable to be made.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Dreamscape Networks Limited ('the Company'):
 - a) The attached financial statements and notes thereto 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 Group's financial position as at 30 June 2018 and of its performance for the year then ended;
 - b) The attached financial statements are in compliance with the International Financial Reporting Standards as disclosed in the Notes to the Consolidated Financial Statements; and
 - c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporation Acts 2001 for the financial year ended 30 June 2018.

This declaration is signed in accordance with a resolution of the Board of Directors.



Mark Evans
Director

27 September 2018



Accountants | Business and Financial Advisers

Independent Auditor's Report to the Members of Dreamscape Networks Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Dreamscape Networks Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters


Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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HLB Mann Judd (WA Partnership) is a member of  International, a world-wide organisation of accounting firms and business advisers



Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition Note 4 of the financial report	
<p>The total revenue of the Group for the year is \$61.5 million. The Group predominately generates revenue through its three core pillars: Domain registrations, Hosting and Solutions.</p> <p>The Group elected to early adopt AASB 15 <i>Revenue from Contracts with Customers</i> for the year ended 30 June 2018. Revenue is recognised when the service obligations attached to the contract have been met. Where performance obligations are met over a period of time revenue, is recognised in line with this timeframe.</p> <p>Furthermore, recognised in the Statement of Financial Position are amounts relating to net deferred revenue, which represent the net of unearned revenue and the deferred direct costs incurred in generating that revenue.</p> <p>We focussed on this area as a key audit matter due to the significance of revenue recognition to both the net result for the year and the net asset position of the Group.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> ▪ We reviewed the Group's accounting policy with regards to the recognition of revenue and the deferral of revenue and related costs over the length of each contract or subscription agreement with each customer; ▪ We reviewed the calculations of deferred revenue and related costs to ensure that they are correctly calculated and in accordance with Australian Accounting Standards; ▪ We selected a sample of revenue transactions and agreed the transaction to the underlying supporting documentation; ▪ We performed audit procedures to ensure that revenue is materially complete, by ensuring on a sample basis that each transaction that occurred during the year was correctly reflected in the financial statements. We did this by examining procedures surrounding cut-off at balance date and ensuring, for a sample of purchase transactions, that each item selected corresponded to a sales transaction; and ▪ We assessed the adequacy of the Group's disclosures in respect to revenue, deferred revenue and deferred costs, including the effects of early adoption of AASB 15.
Acquisition Accounting Note 25 of the financial report	
<p>During the year, the Group acquired the following businesses:</p> <ul style="list-style-type: none"> ▪ Vodien Internet Solutions Pte Ltd and its wholly owned subsidiaries; ▪ Enetica Group; ▪ Quadra Hosting; ▪ Whois; and ▪ Glasshat Pty Ltd. <p>All acquisitions except for that of Enetica Group have been provisionally accounted for in line with the provisions of AASB 3 <i>Business Combinations</i>. Refer to note 24 for further details of the consideration paid for each of these acquisitions.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> ▪ We read the acquisition agreements for each acquisition to understand their key terms and conditions; ▪ We agreed the fair value of the gross consideration paid to supporting information; ▪ We obtained audit evidence that the acquisition-date assets and liabilities of each business were fairly stated; ▪ We considered the allocation of the excess of the consideration paid over the



Key Audit Matter	How our audit addressed the key audit matter
<p>Overall these acquisitions were considered significant for the Group.</p> <p>We focused on this area as a key audit matter as accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to goodwill and separately identifiable intangible assets.</p>	<p>identifiable net assets acquired to goodwill and other intangible assets, or if the acquisitions were provisionally accounted for, we ensured that this had been adequately dealt with in accordance with AASB 3; and</p> <ul style="list-style-type: none"> ▪ We assessed the adequacy of the Group's disclosures with respect to the acquisitions.
<p>Recoverable value of goodwill Note 14 of the financial report</p> <p>At 30 June 2018 the Group's goodwill is \$8.9 million.</p> <p>The Group reviews the carrying amount of goodwill annually, or more frequently if impairment indicators are present. Before estimating the recoverable amount of the goodwill, the Group first identifies cash generating units ('CGUs') and then allocates the goodwill to the identified CGUs.</p> <p>The Directors' assessment of the recoverable value of the goodwill was considered a key audit matter as the assessment process is complex and judgemental and is based on assumptions relating to future market or economic conditions. In performing the recoverability assessment, the Group has applied various assumptions with respect to revenue and cash flow growth rates based on expectations and estimates of future results of the CGUs.</p> <p>The Group has disclosed in note 14 to the financial report the assessment method, including the main underlying assumptions and the results of the assessment.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> ▪ We assessed the appropriateness of the identification of CGUs and the allocation of assets to the CGUs; ▪ We assessed the key assumptions underlying the discounted cash flow valuations. In doing so we: <ul style="list-style-type: none"> ○ Tested the mathematical accuracy of the discounted cash flow model; ○ Assessed key assumptions such as board approved forecast cash flows, including working capital levels, allocation of corporate costs and the discount rate used; ○ Assessed the Group's assumptions for terminal growth rates in the discounted cash flow model in comparison to economic and industry forecasts; and ○ Assessed the discount rates used for their appropriateness. ▪ We performed sensitivity analysis in respect of the assumptions noted to ascertain the extent of changes in those assumptions which either individually or collectively would materially impact the fair value of the CGUs. ▪ We assessed the adequacy of the Group's disclosures in note 14 concerning the key assumptions.



Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, 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 accordingly 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 Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.



If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Dreamscape Networks Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

A handwritten signature in black ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
27 September 2018

A handwritten signature in black ink that reads 'L Di Giallonardo'.

L Di Giallonardo
Partner

ASX Additional Information

Information as at 25 September 2018

Distribution Schedule

Range	Ordinary shareholders
1 - 1,000	13
1,001 - 5000	54
5,001 - 10,000	132
10,001 - 100,000	165
100,001 Over	78
Total number of share holders	442
Number of shareholders holding less than a marketable parcel	52

Top 20 Holders of Ordinary Shares

Rank	Name	Shares	%
1	BLUEGEKO HOLDINGS LIMITED	140,680,000	36.18
2	CLOUDSAFE HOLDINGS LIMITED	93,760,000	24.11
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	21,459,681	5.52
4	MR ALVIN POH CHUN CHIANG	21,250,000	5.46
5	MR JERVIS LEE WEN	21,250,000	5.46
6	NATIONAL NOMINEES LIMITED	18,864,706	4.85
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,993,193	2.31
8	WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	7,200,000	1.85
9	UBS NOMINEES PTY LTD	6,600,000	1.70
10	MR QUINTIN RUSS	5,409,360	1.39
11	MR GAVIN DAVID GIBSON + MS LAUREN ALISSA GIBSON <GIBSON FAMILY A/C>	4,000,000	1.03
12	CITICORP NOMINEES PTY LIMITED	3,195,851	0.82
13	MANHATTAN INVESTMENTS PTY LTD	3,000,000	0.77
14	MR MARK EVANS	1,630,000	0.42
15	PODESTA FAMILY GROUP PTY LTD <PODESTA FAMILY GROUP A/C>	1,600,000	0.41
16	OCEANCREST CORPORATION PTY LTD <THE HARMONY FAMILY A/C>	1,440,000	0.37
17	HACKETT FOUNDATION NOMINEES PTY LTD <HACKETT FOUNDATION A/C>	1,200,000	0.31
18	MR EVAN GEORGE CROSS + MRS DONNA SHARON CROSS <DEC SUPERANNUATION FUND A/C>	980,000	0.25
19	EAST 72 INVESTMENTS PTY LTD	900,000	0.23
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	831,035	0.21
Top 20 holders of ORDINARY FULLY PAID SHARES		364,243,826	93.67
Balance of register		24,602,840	6.33
Total		388,846,666	100.00

Unlisted Options

As at 25 September 2018 there were 30,314,900 unlisted options on issue held by 7 holders, of which director Peter James has 9,500,000 representing 31.34% of the total unlisted options.

Performance Rights

As at 25 September 2018 there were 1,073,334 performance rights on issue held by 14 holders.

Voting Rights

The voting rights attached to each class of equity securities are as follows:

- a. Ordinary Shares - All ordinary shares carry one vote per share without restriction;
- b. Unlisted Options - Do not carry any voting rights;
- c. Performance Rights - Do not carry any voting rights.

Substantial Shareholders

The number of ordinary shares held as per Notice given to the Company:

Name	Shares	%
BLUEGEKO HOLDINGS LIMITED	141,268,000	36.43
CLOUDSAFE HOLDINGS LIMITED	95,070,000	24.52
MR ALVIN POH CHUN CHIANG	21,250,000	5.50
MR JERVIS LEE WEN	21,250,000	5.50
AUSTRALIAN ETHICAL INVESTMENT LIMITED	19,943,504	5.14

OUR AWARD

CX MANAGEMENT

Dreamscape Networks has been selected as an ABA100 Winner for CX MANAGEMENT [CXM] in The Australian Business Awards 2018





dreamscape
NETWORKS