dreamscape NETWORKS

DREAMSCAPE NETWORKS LIMITED

ABN 98 612 069 842

ANNUAL FINANCIAL REPORT 30 JUNE 2017

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CORPORATE INFORMATION

Directors

Peter James (Non-Executive Chairman)
Mark Evans (Managing Director)
Michael Malone (Non-Executive Director)
Evan Cross (Non-Executive Director)
Gavin Gibson (Executive Director)

Company Secretary

Anthony (Tony) Sparks

Registered office and principal place of business

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North Perth, WA 6006 Australia
Telephone: +61 (8) 9422 0894
Facsimile: +61 (8) 9422 0801
Email: info@dreamscapenetworks.com

Share register

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Tce
Perth, WA 6000, Australia
Telephone: 1300 850 505

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth, WA 6000, Australia
Telephone: +61 (8) 9227 7500

Securities Exchange Listing

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

Website

www.dreamscapenetworks.com

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 2017.

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.

Name	Designation and background	Appointment Date
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.	16 September 2016
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.	16 September 2016

<table>
<tr><th>Name</th><th>Designation and background</th><th>Appointment Date</th></tr>
<tr><td>Evan Cross</td><td>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</td><td>27 April 2016</td></tr>
<tr><td>Mark Evans</td><td>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.</td><td>27 April 2016</td></tr>
<tr><td>Gavin Gibson</td><td>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.

Gavin serves as a Director on the board of .au Domain Administration (auDA).

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.</td><td>27 April 2016</td></tr>
</table>

Company Secretary

Name	Background	Appointment Date
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.	27 April 2016

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	13	13	-	-	n/a	n/a
Michael Malone	13	13	-	-	1	1
Evan Cross	13	13	-	-	n/a	n/a
Mark Evans	13	13	n/a	n/a	n/a	n/a
Gavin Gibson	13	13	n/a	n/a	1	1

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	400,000	9,500,000
Michael Malone	2,000,000	5,000,000
Evan Cross	2,950,000	2,500,000
Mark Evans	93,820,000	5,000,000
Gavin Gibson	4,120,000	3,000,000

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option 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
	27,500,000		

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

It was a record year for Dreamscape Networks Limited and its controlled entities delivering strong revenues, cash flows, and earnings growth. The Company successfully listed on Australian Securities Exchange (ASX) in December 2016 and delivered on the 2017 Financial Year Prospectus profit forecast. The Group grew all pillars of the business, particularly in the higher margin Hosting and Solutions pillars with the sales team upselling and cross selling into higher margin products and services. The Group successfully acquired Net Logistics, a bolt on Hosting provider in March 2017.

Performance review

- Bookings for the year increased by 6%, particularly in the higher margin pillars of Hosting and Solutions;
- Revenue for the year up by 8%;
- Net cash flows from operating activities up by 9%, from $11.2 million in FY16 to $12.1 million in FY17;
- Adjusted Earnings before Interest, Taxes, Depreciation, and Amortisation (EBITDA) increased by 23%;
- Number of employees increased during the year, in line with the Group's commitment to maintain the standards of quality service to its customers while accommodating the Group's expansion. Salaries also include share-based compensation for share options and performance rights in accordance with the terms set out in the IPO Prospectus dated 3 November 2016; and
- General and administrative expenses increased by 9%, which includes transaction costs related to acquisitions.

	2017	2016
	$'000	$'000
Revenue	**46,401**	42,932
Profit for the period before forgiveness of advances to related parties	**2,106**	3,310
Net profit (loss) for the year	**(13,944)**	3,310
Net cash generated from operating activities	**12,138**	11,150

The Group's reported net loss for the year ended 30 June 2017 of $13.9 million includes the forgiveness of advances to vendors amounting to $16.1 million, which was pursuant to the acquisition of Pandora Enterprise Holdings Ltd. and in line with the terms of the Share Sale Agreement set out in the IPO Prospectus dated 3 November 2016.

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

	2017	2016
	$'000	$'000
Statutory NPAT	**(13,944)**	3,310
Adjustments:		
Interest income – net	**(9)**	(4)
Depreciation and amortisation	**1,346**	1,403
Income tax expense	**1,038**	270
Statutory EBITDA	**(11,569)**	4,979

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 increased by 23% in the current financial year as compared to the same period last year as a result of an increase in Total Bookings and cost management.

	2017 $'000	2016 $'000
Statutory EBITDA	**(11,569)**	4,979
Add:		
Forgiveness of advances to related parties	**16,050**	–
Effect of net deferred revenue	**4,275**	3,323
Share-based compensation	**1,044**	–
Unrealised foreign exchange losses – net	**440**	431
Acquisition related costs	**275**	–
Data centre improvement	**268**	–
Adjusted EBITDA	**10,783**	8,733

Growth Strategy

The Group is continuing to focus on its growth strategy, as set out in its IPO Prospectus, focusing on the following key priorities:

- Marketing - to be composed of high-calibre marketing people working together, formulating strategies in securing new markets and maintaining market share in existing countries of operations;
- International expansion – focus on higher growth markets, in particular English speaking Asian countries Singapore, Hong Kong, Indonesia, Malaysia and Philippines;
- Acquisitions - acquisitions of complementary businesses and products;
- Technical Support and Customer Care - maintain high levels of customer care (at least 90% positive feedback rate) to increase retention, renewals and word of mouth referrals;
- Sales Team - further training and development of the new in-house sales team for up-selling, cross-selling and new product marketing; and
- Product Development - accelerate development of new and refreshed products.

People

The Group's ongoing commitment to provide online solutions to customers is backed up by people working together for the Group's mission. As the growth becomes visible, the Group is dedicated to maintaining high-calibre people and continuously nurturing their abilities through training and looking after their wellbeing.

The Group's spend on employee salaries and benefits increased by 33% this financial year in comparison to last year, which includes $1.04 million of share-based payments.

The Group increased its staff numbers substantially in line with the significant growth in the business, the focus and investment into customer care through its world class customer support centre in Cebu, Philippines as well as a dedicated sales team focusing on cross-sell and up-sell opportunities.

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 Pandora Enterprise Holdings Ltd. ('Pandora Acquisition')

On 1 December 2016, Dreamscape Networks Limited (the 'Company') completed the 100% acquisition of Pandora Enterprise Holdings Ltd., which is the ultimate parent of Dreamscape Networks FZ-LLC and its subsidiaries. The new group comprising Dreamscape Networks Limited, Net Logistics Pty. Ltd., Pandora Enterprise Holdings Ltd, Dreamscape Networks FZ-LLC and its wholly-owned subsidiaries are referred in this financial report as the "Group".

The acquisition by Dreamscape Networks Limited has the features of a reverse acquisition under Australian Accounting Standard AASB 3 "Business Combinations", notwithstanding Dreamscape Networks Limited being the legal parent of the Group. The legal structure of the acquisition is that Dreamscape Networks Limited remains as the legal parent entity. However, the principles of reverse acquisition accounting apply where the owners of the acquired entity (in this case, the former shareholders of Pandora Enterprise Holdings Ltd.) obtain control of the acquiring entity (in this case, Dreamscape Networks Limited) as a result of the combination of the two businesses.

Under reverse acquisition accounting, the consolidated financial statements are issued under the name of the legal parent (Dreamscape Networks Limited) but are a continuation of the financial statements of the legal subsidiary (Pandora Enterprise Holdings Ltd and its subsidiaries), with the assets and liabilities of the legal subsidiary being recognised and measured at their pre-combination carrying amounts rather than their fair values.

Completion of Initial Public Offering

On 7 December 2016, the Company's securities were officially listed on the Australian Securities Exchange (ASX), under the security code DN8. The Company was able to raise $25 million through the issuance of 100 million shares at an issue price of $0.25, with $15 million being retained by the Group after payments to the existing shareholders. The funds raised are for growth opportunities, including:

- acquiring complementary businesses and products;
- increasing market share of the Group globally, preliminary planned on English-speaking Asian countries;
- expansion in infrastructure on current locations and for future global operations; and
- continuous and accelerate product development of new and current products.

Acquisition of Net Logistics Pty Ltd

On 31 March 2017, the Company successfully completed the acquisition of Net Logistics Pty Ltd, which provides domain registration and internet hosting services, with world-class data centres located in Sydney.

Net Logistics Pty Ltd contributed $0.62 million to the Group's revenue for the year and $0.01 million to the Group's profit after income tax for the year.

Dividends

The Board did not declare nor pay any dividends for the financial year ended 30 June 2017, or propose to pay any dividends in relation to the financial year.

Events after Reporting Date

Acquisition of Vodien Group

In line with the Group's strategy to expand operations in South East Asia, the Company announced on 22 June 2017 that it had entered into a binding Terms Sheet to acquire the Vodien Group, comprising Vodien Internet Solutions Pte Ltd as the parent company, along with all its wholly-owned subsidiaries. Vodien Group, currently holds the highest market share in Website Hosting in Singapore, and third highest market share of .sg domain names.

On 31 July 2017, the Company successfully completed the acquisition of Vodien Group. The purchase price in accordance with the Share Sale and Purchase Agreement is as follows:

- Issue of 42.5 million fully paid shares in the Company
- 20 million Singaporean Dollars (SGD20 million) in cash consideration to be paid as follows:
  - Initial refundable deposit of SGD2 million (AUD1.91 million) paid on 23 June 2017, which has been recorded as 'Other current assets' at 30 June 2017;
  - SGD13 million (AUD11.98 million) paid on settlement which occurred on 31 July 2017; and
  - SGD5 million (approximately AUD4.62 million) to be paid on 29 December 2017.

Conversion of Performance Shares

In line with the terms and conditions set out in the Company's prospectus dated 3 November 2016, 1,273,333 performance shares 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.

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. In addition to the Group's current presence in the Philippines, the recent acquisition of the Vodien Group in Singapore is expected to accelerate the Group's move into South East Asia, using Singapore as the Group hub for operations in the region.

Enhancement of domains, hosting, and solutions products

The Group intends to improve and increase the range of products and services (solutions pillar) available to its customers. The Group's developers are continuously refreshing existing products and seeking new ones, all serving customer's needs and ensuring customer satisfaction. Recent examples include traffic booster, WordPress hosting, site back-up, business registration, and partnerships with new and existing online service 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 2017. Please refer to pages 10 to 15.

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 27 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 16 and forms part of this Directors' report for the year ended 30 June 2017.

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

28 September 2017

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

	Designation	Appointment Date
Peter James	Chairman and Non-Executive Director	16 September 2016
Michael Malone	Non-Executive Director	16 September 2016
Evan Cross	Non-Executive Director	27 April 2016

Executive Directors and Senior Executives

	Designation	Appointment Date
Mark Evans	Chief Executive Officer and Managing Director	27 April 2016
Gavin Gibson	Chief Operations Officer and Executive Director	27 April 2016
Tony Sparks	Group Finance Director and Company Secretary	27 April 2016

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[1]
20% year-on-year increase in Bookings	30%
20% year-on-year increase in Adjusted EBITDA	40%
20% year-on-year increase in Active users	30%

- Long-term incentives – share options and performance rights

a. Non-Executive Directors' Service Agreements

Upon appointment, all Non-Executive Directors enter into contracts for services with the Company, which itemize 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	–

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

Executive Directors and 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

[1]Maximum AU$ equivalent of short-term incentives is 50% of the Executive Directors' and Senior Executive's annual base remuneration, respectively.

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$260,000	–	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	50% of annual base remuneration	5,000,000	–
Gavin Gibson	50% of annual base remuneration	3,000,000	–
Tony Sparks	50% of annual base remuneration	2,500,000	600,000

[1]Post-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.
[2]The bonus remuneration is based on predetermined Key Performance Indicators (KPIs) by the Board of Directors (as set out above).
[3]Maximum AU$ equivalent of long-term incentives is 50% of the Executive Directors' and Senior Executive's annual base remuneration, respectively.

V. Remuneration Payments of KMP

	Short-term employee benefits		Post-employment benefits		Share-based payments[3]			
Financial year 2017	**Remuneration and benefits[2]** $	**Non-monetary benefits** $	**Superannuation** $	**End of service benefits** $	**Share options** $	**Performance rights** $	**Total** $	**Performance related** **%**
Non-Executive Directors								
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[6]	128,333	–	6,017	–	65,950	–	200,300	33%
Executive Directors								
Mark Evans	871,461	–	–	131,926	131,901	–	1,135,288	12%
Gavin Gibson	288,999	–	27,455	–	79,140	–	395,594	20%
Senior Executive								
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**	

	Short-term employee benefits		Post-employment benefits		Share-based payments[3]			
Financial year 2016	**Remuneration and benefits[2]** $	**Non-monetary benefits** $	**Superannuation** $	**End of service benefits** $	**Share options** $	**Performance rights** $	**Total** $	**Performance related** **%**
Non-Executive Directors								
Evan Cross	–	–	–	–	–	–	–	–
Executive Directors								
Mark Evans[4]	208,995	–	–	36,000	–	–	244,995	–
Gavin Gibson	213,520	–	15,617	–	–	–	229,137	–
Senior Executive								
Tony Sparks[5]	162,918	–	15,477	–	–	–	178,445	–
	585,433	–	**31,094**	**36,000**	**–**	**–**	**652,577**	

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

[1]Non-Executive Directors' short-term employee and post-employment benefits for Peter James and Michael are from appointment on 16 September 2016.
[2]Remuneration and benefits include accrued performance bonuses based on determined KPIs, subject to Board approval after the issuance of the annual financial report.
[3]Fair value in accordance with AASB 2 *Share-based payment*. For further details, please refer to Note 21 of the Notes to the Consolidated Financial Statements.
[4]Mark Evans' employment contract commenced on 1 March 2016.
[5]Tony Sparks' employment contract commenced on 22 February 2016.
[6] Evan Cross remuneration includes $65,000 for consultancy services on strategic acquisition advice and ancillary services paid to a company which Mr Cross is a director and shareholder

VI. KMP Shareholdings

- *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:

	Shares at completion of the Pandora Acquisition and IPO offer No.	**Granted as remuneration** No.	**Other changes[1]** No.	**Total** No.
Peter James	400,000	–	–	400,000
Michael Malone	2,000,000	–	–	2,000,000
Evan Cross	2,960,000	–	150,000	2,950,000
Mark Evans	94,020,000	–	–	94,020,000
Gavin Gibson	4,120,000	–	–	4,120,000
Tony Sparks	300,000	–	–	300,000
	103,960,000	**–**	**150,000**	**104,110,000**

1Other changes include purchased and sold shares during the financial year.

- *Options held by KMP*

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

	Options granted as remuneration at the completion of IPO offer No.	**Exercised during the financial year** No.	**Balance as at 30 June 2017** No.	**Vested* and exercisable at 30 June 2017** No.	**Unvested** and not exercisable at 30 June 2017** No.
Peter James	9,500,000	–	9,500,000	3,800,000	5,700,000
Michael Malone	5,000,000	–	5,000,000	2,000,000	3,000,000
Evan Cross	2,500,000	–	2,500,000	1,000,000	1,500,000
Mark Evans	5,000,000	–	5,000,000	2,000,000	3,000,000
Gavin Gibson	3,000,000	–	3,000,000	1,200,000	1,800,000
Tony Sparks	2,500,000	–	2,500,000	1,000,000	1,500,000
	27,500,000	**–**	**27,500,000**	**11,000,000**	**16,500,000**

* Vested represents Tranche 1 options only.
** Unvested represents 50% Tranche 2 options and 50% Tranche 3 options.

Terms of the Options:

	Number of Options	Grant date	Expiry Date	Exercise Price	Fair value at grant date	Value recorded at 30 June 2017	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	30 June 2018
Tranche 3	8,250,000	2 November 2016	30 June 2022	0.45	171,043	42,320	30 June 2019
	27,500,000				1,005,093	725,455	

*** 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:

	Options granted as remuneration at the completion of IPO offer No.	Exercised during the financial year No.	Balance as at 30 June 2017 No.	Vested and exercisable at 30 June 2017 No.	Unvested and not exercisable at 30 June 2017 No.
Tony Sparks	600,000	–	600,000	200,000	400,000

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 issued loans were made to KMP during the financial year.

VIII. Other transactions with KMP

No member of KMP appointed during the financial year received a payment as part of his consideration for agreeing to hold the position.

HLB Mann Judd

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 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of 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	**L Di Giallonardo**
28 September 2017	**Partner**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	**2017** **$'000**	2016 $'000
Revenue	4	**46,401**	42,932
Direct costs		**(20,491)**	(20,055)
Gross profit		**25,910**	22,877
Salaries and employee benefits	5	**(11,945)**	(8,980)
Marketing and promotions	5	**(3,532)**	(3,761)
General and administrative expenses	5	**(5,547)**	(5,097)
Operating profit		**4,886**	5,039
Depreciation and amortisation	13,14	**(1,346)**	(1,403)
Other income - net		**87**	375
Foreign exchange losses - net		**(483)**	(431)
Forgiveness of advances to related parties	23	**(16,050)**	–
Profit (loss) before income tax		**(12,906)**	3,580
Income tax expense	6	**(1,038)**	(270)
Net profit (loss) for the year		**(13,944)**	3,310
Other comprehensive income, net of income tax			
Item that will not be reclassified to profit or loss			
Re-measurement of defined benefit obligation		**30**	(2)
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations' financial statements		**156**	84
Other comprehensive income for the year, net of income tax		**186**	82
Total comprehensive income (loss) for the year		**(13,758)**	3,392
Basic and diluted earnings (loss) per share (cents per share)	8	**(4.64)**	1.41

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**17,698**	4,609
Other financial assets	10	**154**	230
Trade and other receivables	11	**3,398**	2,464
Prepayments and other deposits	12	**811**	1,458
Advances to related parties	23	–	11,201
Other current assets	28	**1,908**	–
Total current assets		**23,969**	19,962
Non-current assets			
Property and equipment	13	**3,126**	1,862
Goodwill and other intangible assets	14	**3,645**	1,108
Deferred tax assets	6	**1,163**	286
Other non-current assets		**67**	88
Total non-current assets		**8,001**	3,344
TOTAL ASSETS		**31,970**	23,306
LIABILITIES			
Current liabilities			
Trade and other payables	15	**2,986**	1,580
Accrued expenses	16	**1,792**	1,036
Other current liabilities	16	**331**	267
Deferred revenue - net	4	**19,326**	16,984
Income tax payable		**992**	201
Total current liabilities		**25,427**	20,068
Non-current liabilities			
Deferred revenue - net	4	**12,446**	9,776
Provision for employees' end of service benefits	17	**409**	294
Other non-current liabilities		**635**	447
Total non-current liabilities		**13,490**	10,517
TOTAL LIABILITIES		**38,917**	30,585
NET ASSETS (LIABILITIES)		**(6,947)**	(7,279)
EQUITY			
Issued capital	20	**12,920**	10
Share-based payment reserve	21	**1,180**	–
Accumulated losses		**(21,312)**	(7,368)
Other reserves		**265**	79
TOTAL EQUITY (DEFICIENCY)		**(6,947)**	(7,279)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	**2017 $'000**	2016 $'000
Cash flows from operating activities			
Receipts from customers		**50,796**	47,200
Payments to suppliers and employees		**(38,497)**	(35,827)
Other income received		**87**	375
Income taxes paid		**(248)**	(598)
Net cash flows from operating activities	9	**12,138**	11,150
Cash flows from investing activities			
Purchase of property and equipment	13	**(1,650)**	(752)
Purchase of intangible assets	14	**(13)**	(38)
Cash acquired on acquisition of Pandora	24	**60**	–
Acquisition of Net Logistics, net of cash acquired	24	**(2,745)**	–
Initial deposit on acquisition of Vodien Group	28	**(1,908)**	–
Release of restricted cash		**–**	1,000
Net cash flows from (used in) investing activities		**(6,256)**	210
Cash flows from financing activities			
Proceeds from the issue of shares	20	**25,000**	–
Payment to vendors	20	**(10,000)**	–
Payment of transaction costs		**(2,735)**	–
Advances to related parties		**(4,850)**	(9,117)
Net cash flows from (used in) financing activities		**7,415**	(9,117)
Net increase in cash held		**13,297**	2,243
Cash and cash equivalents at the beginning of the year		**4,609**	2,683
Effects of exchange rate fluctuations on cash held		**(208)**	(317)
Cash and cash equivalents at the end of the year	9	**17,698**	4,609

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Issued capital $'000	Share-based payment reserve $'000	Accumulated losses $'000	Other reserves $'000	Total equity $'000
Balance at 1 July 2015		10	–	(10,678)	(3)	(10,671)
Net profit for the year		–	–	3,310	–	3,310
Other comprehensive income for the year		–	–	–	82	82
Total comprehensive income for the year		**–**	**–**	**3,310**	**82**	**3,392**
Balance at 30 June 2016		**10**	**–**	**(7,368)**	**79**	**(7,279)**
Net loss for the year		–	–	(13,944)	–	(13,944)
Other comprehensive income for the year		–	–	–	186	186
Total comprehensive income (loss) for the year		**–**	**–**	**(13,944)**	**186**	**(13,758)**
Shares issued during the year	20	15,000	–	–	–	15,000
Share issue costs (net of tax effect)	20	(2,010)	–	–	–	(2,010)
Deemed consideration of reverse acquisition	24	(80)	–	–	–	(80)
Share-based payments	21	–	1,180	–	–	1,180
Balance at 30 June 2017		**12,920**	**1,180**	**(21,312)**	**265**	**(6,947)**

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: ABOUT THIS REPORT

Acquisition of 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 (AASB) Standard 3 "Business Combinations," notwithstanding the Company being the legal parent of the Group. Under the Australian Accounting Standards (AAS), Pandora Enterprise Holdings Ltd. was deemed the accounting acquirer in this transaction.

Accordingly, the consolidated financial statements of the Group as at 30 June 2017 were prepared as a continuation of the business and operations of Pandora Enterprise Holdings Ltd. As the deemed acquirer, Pandora Enterprise Holdings Ltd. has accounted for the acquisition of the Company from 1 December 2016.

Also, on 31 March 2017, Dreamscape Networks Limited acquired 100% of the share capital of Net Logistics Pty. Ltd.

The implications of the acquisition by Pandora Enterprise Holdings Ltd. and Net Logistics Pty. Ltd. on the consolidated financial statements are as follows:

(i) Consolidated statement of comprehensive income

- The consolidated statement of comprehensive income for the year ended 30 June 2017 comprises the comprehensive income of Pandora Enterprise Holdings Ltd. and its subsidiaries for the period 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.
- The comparative information for the year ended 30 June 2016 is the consolidated statement of comprehensive income of Pandora Enterprises Holdings Ltd. and its subsidiaries.

(ii) Consolidated statement of financial position

- The consolidated statement of financial position as at 30 June 2017 represents the aggregate balances of Dreamscape Networks Limited, Net Logistics Pty. Ltd. and Pandora Enterprise Holdings Ltd. and its subsidiaries.
- The comparative information as at 30 June 2016 is the consolidated statement of financial position of Pandora Enterprise Holdings Ltd. and its subsidiaries.

(iii) Consolidated statement of cash flows

- The consolidated statement of cash flows income for the year ended 30 June 2017 comprises the cash flows of Pandora Enterprise Holdings Ltd. and its subsidiaries for the period 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.
- The comparative information income for the year ended 30 June 2016 is the consolidated statement of cash flows of Pandora Enterprise Holdings Ltd. and its subsidiaries.

(iv) Consolidated statement of changes in equity

- The consolidated statement of changes in equity 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 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.
- The comparative information for the year ended 30 June 2016 is the consolidated statement of changes in equity of Pandora Enterprise Holdings Ltd. and its subsidiaries.

NOTE 2: STATEMENT OF COMPLIANCE

The annual financial report has been prepared in accordance with the requirements of the Corporations Act 2001, 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 2017 was authorised for issue in accordance with a resolution of the directors on 28 September 2017.

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 2016. Where necessary, the comparatives have been reclassified to be consistent with the current period disclosures.

Adoption of new and revised standards

New and revised Standards and amendments thereof and Interpretations that are relevant to the Group include:

AASB 2 (Amendments): Classification and Measurement of Share-Based Payment Transactions Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The amendment addresses the following:

- the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Directors have elected not to early adopt the amendments of AASB 2 and are currently assessing the impact that the standard may have on the Group. The Directors do not expect this standard to have a material effect on the Group.

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the Company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The Directors have elected not to early adopt the amendments of AASB 9 and are currently assessing the impact that the standard may have on the Group. The Directors do not expect this standard to have a material effect in the Group.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

This is a new Standard introduced by AASB to replace AASB 118. The new Standard is aimed at improving financial reporting of revenue and comparability to provide better clarity on revenue recognition on areas where existing requirements unintentionally created diversity in practice. AASB 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The core principle of the Standard is that an entity will recognise 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. 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)

Adoption of new and revised standards (continued)

When applying AASB 15 for the first time, an entity shall apply the Standard in full for the current period. In respect of prior periods, the transition guidance grants entities an option to either apply AASB 15 in full to prior periods or to retain prior-period figures as reported under the previous standards, recognising the cumulative effect of applying AASB 15 to all contracts that had not yet been completed at the beginning of the reporting period as an adjustment to the opening balance of equity at the date of first-time adoption.

The Directors have elected not to early adopt AASB 15. The quantification of the implications of AASB 15 is currently being reviewed, however, it is expected to result in earlier recognition of revenue from domain registrations.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Directors have reviewed and determined that AASB 16 may have a possible material impact on Group accounting policies in future financial periods. The Company has elected not to early adopt AASB 16 while the impact is currently being assessed. As disclosed in Note 19, the Group currently has operating leases for office premises.

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.

- *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.

NOTE 3: BASIS OF PREPARATION (continued)

Significant accounting judgments and key estimates (continued)

- *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 utilize 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 is determined by using a Black-Scholes model, with the assumptions detailed in Note 21.

Going concern

Notwithstanding the fact that the Group has a deficiency in net assets of $6.9 million as well as a working capital deficiency of $1.5 million, the Directors are of the opinion that the Group is a going concern for the following reasons:

- The consolidated statement of financial position as at 30 June 2017 includes a significant liability relating to net deferred revenue, totalling $31.8 million. This represents the net of amounts received from bookings less amounts paid for direct costs, deferred over the life of each subscription. As a result, no amounts are expected to fall due and payable;
- The Group recorded net cash inflows from operating activities for the financial year ended 30 June 2017 of $12.1 million;
- The Group was listed with the Australian Securities Exchange on 7 December 2016, generating net equity funding of $12.3 million to meet future business growth and expansion; and
- The Group is confident that it will maintain its profitability and strong cash flows 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.

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.

NOTE 3: BASIS OF PREPARATION (continued)

Accounting policies and methods of computation (continued)

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

All other entities' functional currencies are in AUD.

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.

NOTE 3: BASIS OF PREPARATION (continued)

Accounting policies and methods of computation (continued)

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

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. Revenue is recognised when all the following conditions are met:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

	2017	2016
	$'000	$'000
Domain registration	**23,616**	20,374
Hosting and solutions	**22,785**	22,558
	46,401	42,932

Unearned revenue represents the amount generated from the sale of domains and other products which are valid for certain period of time. 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:

	2017	2016
Current:	**$'000**	$'000
Unearned revenue	**30,741**	28,570
Deferred costs	**(11,415)**	(11,586)
	19,326	16,984
Non-current:		
Unearned revenue	**17,661**	15,241
Deferred costs	**(5,215)**	(5,465)
	12,446	9,776

NOTE 5: EXPENSES

	2017 $'000	2016 $'000
Salaries and employee benefits		
Salaries and wages	**9,176**	7,794
Share-based payment expense	**1,044**	-
Employee amenities and superannuation	**535**	397
Directors' fees	**185**	-
Other employee benefits	**1,005**	789
	11,945	8,980
Marketing and promotions		
Web and online media	**3,490**	3,719
Sponsorship	**15**	27
Other marketing	**27**	15
	3,532	3,761
General and administrative expenses		
Merchant fees	**1,765**	1,619
Occupancy	**1,178**	1,141
Communication	**516**	613
Professional fee	**458**	408
Travel and entertainment	**424**	222
Subscriptions	**408**	542
Insurance and warranties	**379**	264
Taxes and licenses	**107**	105
Other expenses	**312**	183
	5,547	5,097

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.

NOTE 6: INCOME TAX (continued)

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.

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:

	2017	2016
	$'000	$'000
Current tax expense (income)	**1,073**	429
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	**(35)**	(159)
	1,038	270

NOTE 6: INCOME TAX (continued)

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

	2017	2016
	$'000	$'000
Accounting profit / (loss) before income tax	**(12,906)**	3,580
Income tax expense (benefit) calculated at 30%	**(3,872)**	1,074
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
• Effect of non-deductible expenses	**5,016**	228
• Effect of non-deductible share-based payments	**313**	–
• Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,495)**	(1,572)
Income tax expense reported in the consolidated statement of comprehensive income	**(1,038)**	(270)

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:

	2017	2016
	$'000	$'000
Share issue costs	**861**	–
Provisions for employee benefits	**136**	143
Depreciation	**164**	141
Other timing differences	**2**	2
	1,163	286

At 30 June 2017, there is no recognised or unrecognised deferred income tax liability (2016: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the Group has no liability for additional taxation should such amounts be remitted.

2017	Opening balance	Charged to income	Charged to equity	Acquisitions/ disposals	Closing balance
	$'000	$'000	$'000	$'000	$'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**

2016	Opening balance	Charged to income	Charged to equity	Acquisitions/ disposals	Closing balance
	$'000	$'000	$'000	$'000	$'000
Reconciliation of deferred tax assets					
Provisions for employee benefits	69	74	–	–	143
Depreciation	56	85	–	–	141
Other timing differences	1	1	–	–	2
	126	**160**	–	–	**286**

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 90% of the total revenue. Customers from other countries individually contribute less than 5% of the total revenue.

Non-current assets (excluding deferred tax assets) based on geographical areas is also significantly attributed to entities domiciled in Australia, which own 86% of total non-current assets. All other entities from other countries individually contribute less than 7% of the total non-current assets.

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.

	2017	2016
Basic and diluted earnings (loss) per share (cents per share)	**(4.64)**	1.41
Weighted average number of ordinary shares	**300,438,356**	234,400,000

Under the principles of reverse acquisition accounting, the weighted average number of shares used in the calculation of basic and diluted earnings (loss) per share for the comparative period is the number of shares issued by the legal parent to acquire the results of the legal subsidiary for that period, even though the issue of the shares did not occur until the time of the reverse acquisition in the current period.

Options and performance rights are considered to be potential ordinary shares and are included in the determination of diluted earnings (loss) per share to the extent to which they are dilutive. On 30 June 2017, 11 million options and 1,273,333 performance rights are considered to be anti-dilutive and therefore these potential ordinary shares did not have an effect on the computation of weighted average number of ordinary shares at reporting date. There were no potential ordinary shares or issue during the year ended 30 June 2016.

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.

	2017 $'000	2016 $'000
Cash in bank – at call	**17,694**	4,605
Cash on hand	**4**	4
	17,698	4,609

NOTE 9: CASH AND CASH EQUIVALENTS (continued)

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

	2017 **$'000**	2016 $'000
Net profit (loss) for the year	**(13,944)**	3,310
Adjustments for:		
Depreciation and amortisation	**1,346**	1,403
Foreign exchange losses – net	**483**	431
Forgiveness of advances to related parties	**16,050**	–
Share-based payment expense	**1,044**	–
Cash flow before changes in working capital	**4,979**	5,144
Working capital changes:		
Other financial assets	**76**	10
Trade and other receivables	**(850)**	2,486
Prepayments and other deposits	**822**	1,071
Deferred tax asset	**(16)**	(160)
Other non-current assets	**21**	(3)
Trade and other payables	**824**	(106)
Accrued expenses	**592**	(867)
Other current liabilities	**64**	(103)
Deferred revenue – net	**4,614**	3,323
Income tax payable	**806**	(159)
Other non-current liabilities	**91**	447
Provision for employees' end of service benefits	**115**	67
Net cash flows from operating activities	**12,138**	11,150

NOTE 10: OTHER FINANCIAL ASSETS

	2017 **$'000**	2016 $'000
Bank Guarantees (Note 18)	**35**	36
Restricted Deposits	**119**	194
	154	230

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 23)' 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.

	2017 $'000	2016 $'000
Merchant receivables	**661**	507
Advances to suppliers	**1,901**	943
Goods and services tax – Australia (net)	**625**	535
Other receivables	**211**	479
	3,398	2,464

The maximum exposure to credit risk at reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

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

NOTE 12: PREPAYMENTS AND OTHER DEPOSITS

	2017 $'000	2016 $'000
Subscription	**403**	387
Warranty	**175**	217
Rent	**62**	78
Insurance	**30**	42
Other prepayments	**26**	29
Advertising	**3**	645
Other deposits	**112**	60
	811	1,458

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 recognized 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 capitalized 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 Equipment $'000	Furniture and Fixtures $'000	Motor Vehicles $'000	Construction in Progress $'000	Total $'000
Cost							
As at 1 July 2015	1,845	1,419	1,003	456	37	154	4,914
Additions	34	27	245	32	27	387	752
Transfers (Note 14)	162	107	70	3	–	(389)	(47)
Exchange differences on translation of foreign operations' financial statements	–	(10)	(15)	(10)	–	(14)	(49)
As at 30 June 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 24)	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
Accumulated Depreciation							
As at 1 July 2015	884	730	586	214	37	–	2,451
Depreciation for the year	526	277	390	87	4	–	1,284
Exchange differences on translation of foreign operations' financial statements	–	(8)	(15)	(4)	–	–	(27)
As at 30 June 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
Carrying value							
As at 30 June 2016	631	544	342	184	23	138	1,862
As at 30 June 2017	**2,249**	**448**	**155**	**134**	**16**	**124**	**3,126**

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 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)

	Goodwill $'000	Software $'000	Total $'000
Cost			
As at 1 July 2015	1,603	239	1,842
Additions	–	38	38
Disposals		(15)	(15)
Transfers (Note 13)		47	47
Exchange differences on translation of foreign operations' financial statements	–	(1)	(1)
As at 30 June 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	4,215	307	4,522
Accumulated Amortisation			
As at 1 July 2015	–	91	91
Amortisation for the year	–	119	119
Disposals	–	(9)	(9)
Exchange differences on translation of foreign operations' financial statements	–	(1)	(1)
As at 30 June 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
Accumulated Impairment			
As at 1 July 2015	603	–	603
Impairment for the year	–	–	–
As at 30 June 2016	603	–	603
Impairment for the year	–	–	–
As at 30 June 2017	603	–	603
As at 30 June 2016	1,000	108	1,108
As at 30 June 2017	**3,612**	**33**	**3,645**

Goodwill is related to the acquisitions that are allocated to the Australian market. The carrying amount of the CGU was compared with its recoverable amount using value in use. For calculation purposes, management prepared cash flow projections for a 2-year period. Cash flow projections during the forecast period are based on the expected gross margins, with the first year's projection being based on approved budgets by the Board of Directors.

Revenue growth rates are between 2% to 10% on the Group's revenue pillars based on management's expectation of increases in market share and the Group's ability to capture significant share in the growing market. The key assumptions used in the calculation include a risk adjusted pre-tax discount rate of 12%.

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.

	2017 $'000	2016 $'000
Trade payables	**2,781**	1,490
Good and services tax – New Zealand	**104**	–
Credit card payables	**44**	53
Other payables	**57**	37
	2,986	1,580

NOTE 16: 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.

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave not expected to be settled within 12 months from the reporting date are recognised in other non-current liabilities. They are measured as the present value of the estimated future outflows to be made by the Group.

	2017 $'000	2016 $'000
Accrued expenses		
Salaries and benefits	**698**	701
Direct product costs	**375**	231
Marketing and promotions	**438**	–
Professional fees	**180**	54
Others	**101**	50
	1,792	1,036
Other current liabilities		
Employee-related benefits	**83**	53
Employee-related taxes	**135**	70
Other liabilities	**113**	144
	331	267

Other non-current liabilities represent annual leave and long service leave accruing to employees not expected to be settled within 12 months from reporting date.

NOTE 17: 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 be applying the discount rate at the beginning of the period to the defined benefit liability or asset. Defined benefit costs are categorised as follows:

  - 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.

	2017 $'000	2016 $'000
Provision for employees' end of service benefits		
Opening balance	**294**	227
Charges for the year	**136**	117
Payments	**(21)**	(50)
	409	294

NOTE 18: CONTINGENT LIABILITIES

At 30 June 2017, the Group had contingent liabilities in respect of bank guarantees amounting to $34,979 (2016: $36,380), arising in the ordinary course of business from which it is anticipated that no material liabilities will arise (Note 10).

NOTE 19: OPERATING LEASE COMMITMENTS

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:

	2017	2016
	$'000	$'000
Within 1 year	**437**	494
Within 2-5 years	**462**	997
	899	1,491

NOTE 20: ISSUED CAPITAL

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.

	2017	2016
	$'000	$'000
Ordinary shares		
Issued and fully paid	**12,920**	10

	Year to 30 June 2017		Year to 30 June 2016	
	No.	**$'000**	No.	$'000
Movements in ordinary shares				
Balance at beginning of period	**10,000**	**10**	10,000	10
Issued pursuant to Prospectus	**60,000,000**	**15,000**	-	-
Settlement with founding shareholders[1]	**40,000,000**	**-**	-	-
Shares issued on acquisition of legal parent[2]	**243,990,000**	**(80)**	-	-
Share issue costs incurred (net of tax-effect)	**-**	**(2,010)**	-	-
Balance at end of period	**344,000,000**	**12,920**	10,000	10

[1] 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.

[2] 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 that would have needed to be issued to effect the transaction.

NOTE 20: ISSUED CAPITAL (continued)

Options

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.

Directors and Executive

These options were issued to the following directors and executive:

	Tranche 1	Tranche 2	Tranche 3	Total
Directors:				
Peter James	3,800,000	2,850,000	2,850,000	9,500,000
Michael Malone	2,000,000	1,500,000	1,500,000	5,000,000
Evan Cross	1,000,000	750,000	750,000	2,500,000
Mark Evans	2,000,000	1,500,000	1,500,000	5,000,000
Gavin Gibson	1,200,000	900,000	900,000	3,000,000

	Tranche 1	Tranche 2	Tranche 3	Total
Executive:				
Tony Sparks	1,000,000	750,000	750,000	2,500,000
Total	11,000,000	8,250,000	8,250,000	27,500,000

Lead Manager

The Company also issued options to its IPO lead manager, Canaccord Genuity, which vested immediately. Details are as follows:

Number of options	Grant Date	Expiry Date	Vesting Date	Exercise Price	Fair value at grant date
2,814,900	1 December 2016	31 December 2019	01 December 2016	0.25	137,000

The Black-Scholes model inputs for all options granted are disclosed in Note 21.

No share options were exercised during the period.

Performance rights

On 2 November 2016, 3,820,000 performance rights were issued to an executive and other senior employees in three tranches as follows:

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

Full details of the performance rights were contained in the Company's IPO Prospectus lodged with ASIC on 3 November 2016.

These performance rights were issued to the following:

	Tranche 1	Tranche 2	Tranche 3	Total
Company Secretary	200,000	200,000	200,000	600,000
Other senior employees	1,073,333	1,073,333	1,073,334	3,220,000
Total	1,273,333	1,273,333	1,273,334	3,820,000

The valuation methodology used is disclosed in Note 21.

NOTE 21: 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.

	2017 $'000	2016 $'000
Directors and Executive Options	**725**	–
Performance Rights	**318**	–
Lead Manager Options	**137**	–
	1,180	–

The following share based payment arrangements relating to options and performance rights were entered into during the year:

Directors and Executive Options

	Number of Options	Grant date	Expiry Date	Exercise Price	Fair value at grant date	Value recorded at 30 June 2017	Vesting 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	30 June 2018
Tranche 3	8,250,000	2 November 2016	30 June 2022	0.45	171,043	42,320	30 June 2019
	27,500,000				1,005,093	725,455	

Terms of the options:

	Exercise Price	Expiry date	Vesting condition
Tranche 1	0.25	30 June 2020	The holder remains in the employment of any company in the Group at 30 June 2017
Tranche 2	0.35	30 June 2021	The holder remains in the employment of any company in the Group at 30 June 2018
Tranche 3	0.45	30 June 2022	The holder remains in the employment of any company in the Group at 30 June 2019

The fair value of share options granted was estimated as 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 inputs for options granted during the period to Directors and Executives, as well as to the Lead Manager (below) 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

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

NOTE 21: SHARE-BASED PAYMENT RESERVE (continued)

Performance rights

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.

At 30 June 2017, the directors have resolved that the Tranche 1 vesting condition has been achieved, and as a result, a value of $318,333 has been expensed, with a corresponding amount being reflected in the share-based payment reserve.

Lead Manager Options

Number of options	Grant Date	Expiry Date	Vesting Date	Exercise Price	Fair value at grant date
2,814,900	1 December 2016	31 December 2019	01 December 2016	0.25	137,000

NOTE 22: 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'.

The categories of financial instruments are as follows:

	Weighted average interest rate	**2017** **$'000**	2016 $'000
Financial assets			
Cash and cash equivalents	–	**17,698**	4,609
Loans and receivables	–	**1,497**	1,521
		19,195	6,130
Financial liabilities			
Other financial liabilities	–	**6,101**	3,084

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

NOTE 22: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

Financial liabilities at 30 June 2017	Weighted average interest rate	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	Total $'000
Trade and other payables	–	1,681	104	1,201	2,986
Accrued expenses	–	1,686	55	51	1,792
Income tax payable	–	–	–	992	992
Other current liabilities	–	331	–	–	331
Total		3,698	159	2,244	6,101
Financial liabilities at 30 June 2016					
Trade and other payables	–	446	–	1,134	1,580
Accrued expenses	–	1,023	13	–	1,036
Income tax payable	–	–	–	201	201
Other current liabilities	–	267	–	–	267
Total		1,736	13	1,335	3,084

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 net monetary assets (liabilities) that are originally denominated in currencies other than the functional currency (FC) of the respective entity. All amounts are converted in AUD.

Entity name	Dreamscape Networks Inc.		Dreamscape Networks Pte Ltd		Dreamscape Networks LLC		All other entities	
Entity's FC	(PHP)		(SGD)		(UAH)		(AUD)	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
In AED	(119)	(69)	566	-	-	-	(235)	163
In AUD	(6,921)	(2,408)	(6,042)	39	(3,473)	(2,843)	-	-
In EUR	-	-	-	-	-	-	665	504
In GBP	-	-	(467)	-	-	-	404	355
In NZD	-	-	-	-	-	-	525	571
In PHP	-	-	-	-	-	-	(7,143)	(2,656)
In SGD	(555)	(556)	-	-	(26)	(16)	1,221	645
In UAH	-	-	-	-	-	-	(5,628)	(3,284)
In USD	(1,200)	(1,036)	3,120	(2)	(2,868)	(1,024)	3,718	3,404

NOTE 22: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The sensitivity analyses 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, including outstanding balances to foreign operations within 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	Effect on Other reserves $'000
PHP	AUD	+/-330	+/-29
SGD	AUD	+/-288	
SGD	USD	+/-149	
UAH	AUD	+/-165	+/-21
UAH	USD	+/-137	
AUD	PHP	+/-340	
AUD	SGD	+/-58	
AUD	UAH	+/-268	

The Group has no material exposure to foreign currency risk.

NOTE 23: RELATED PARTY DISCLOSURES

The Group entered into transactions with parties that fall within the definition of a related party as contained in AASB 124 and IAS 24. 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

	2017	2016
	$	$
Compensation to key management personnel comprises:		
Salaries and other short term employee benefits	**1,711,208**	585,483
Share-based payments	**775,454**	–
Termination and post-employment benefits	**205,528**	67,094
	2,692,190	652,577

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

(b) Balances arising from transactions with related parties

	2017	2016
	$	$
Advances to related parties	**-**	11,200,513

Advances to related parties as at 30 June 2016 represents advances to vendors being the shareholders of Pandora Enterprise Holdings Ltd. Pursuant to the Share Sale Agreement between the Company and the vendors, the advances, amounting to $16.05 million at the date of acquisition, were forgiven upon acquisition of Pandora Enterprise Holdings Ltd.

NOTE 24: 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.

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.

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.

Acquisition of Pandora Enterprise Holdings Ltd.

On 1 December 2016, the Company acquired 100% of the share capital of Pandora Enterprise Holdings Ltd. Under the terms of AASB 3 "Business Combinations," Pandora Enterprise Holdings Ltd. was deemed to be the accounting acquirer in the business combination. The transaction was therefore accounted for as a reverse acquisition.

Refer to Note 1 for further information on the reverse acquisition.

NOTE 24: BUSINESS COMBINATIONS (continued)

Acquisition of Pandora Enterprise Holdings Ltd. (continued)

The reverse acquisition is treated as an acquisition of assets and liabilities of Dreamscape Networks as at 1 December 2016.

	$'000
Net assets acquired	
Cash and cash equivalents	60
Prepayments	939
Other current assets	47
Trade and other payables	(74)
Loan from legal subsidiary	(1,052)
	(80)
Consideration:	
Deemed acquisition consideration	(80)
Net cash inflow arising on acquisition	
Cash and cash equivalents acquired	60

Acquisition of Net Logistics Pty Ltd

On 31 March 2017, Dreamscape Networks Limited acquired 100% of the share capital of Net Logistics Pty Ltd. Net Logistics Pty Ltd provides domain registration and internet hosting services to small and medium businesses (SMBs) in Australia, with hosting facilities in Sydney, New South Wales, Australia.

The acquisition is in line with the Group's key growth strategies and complement the Group's core business.

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

	$'000
Net assets acquired	
Cash and cash equivalents	108
Trade and other receivables	98
Property and equipment	961
Trade and other payables	(431)
Deferred revenue - net	(398)
Other non-current liabilities	(97)
Fair value of net assets acquired	241
Consideration paid	2,853
Goodwill recognised from acquisition	2,612

The net cash outflow from the acquisition is as follows:

	$'000
Cash paid as consideration	2,853
Net cash acquired on subsidiary	(108)
Net cash outflow	2,745

Acquisition related costs of $79,299 are included in the consolidated statement of comprehensive income.

From the date of acquisition, Net Logistics Pty Ltd has contributed $622,701 to the consolidated revenue and $14,118 to the consolidated profit after tax attributable to the members of the parent.

NOTE 25: 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	
			2017	2016	2017	2016
Pandora Enterprise Holdings Ltd	British Virgin Islands	100%	100%	100%	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%	–	–	7	7
Dreamscape Networks Limited[2]	Hong Kong	NA	NA	100%	–	1
Dreamscape Networks Inc.	Philippines	100%	100%[5]	100%[5]	2	2
Dreamscape Networks Pte. Ltd.	Singapore	100%	100%	100%	1	1
Dreamscape Networks (Thailand) Co. Ltd.[3]	Thailand	100%	–	–	194	194
Dreamscape Networks LLC[4]	Ukraine	100%	100%	–	5	5
Dreamscape Networks, Inc.	United States of America	100%	100%	100%	2	2
Net Logistics Pty Ltd.	Australia	100%	100%	100%	2,853	–

[1]Dormant entity

[2]On 31 March 2016, the director of the Company has signed the resolution for the cessation of business of Dreamscape Networks Limited (Hong Kong) due to inactivity. On 21 April 2017, the process of de-registration with Hong Kong Companies Registry was completed. Due to the immateriality of the balances, profit or loss from discontinued operations was not shown separately in the consolidated statement of comprehensive income.

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

[4]On 9 December 2016, the ownership of Dreamscape Networks LLC was transferred from one of the directors to Dreamscape Networks FZ-LLC.

[5]The equity interest of Dreamscape Networks Inc. is 100% effectively owned by Dreamscape Networks FZ-LLC, however, the legal ownership is 57%.

Dreamscape Networks Limited is the ultimate parent of the Group.

The following balances were outstanding as at 30 June 2017 and 30 June 2016, respectively:

Name of subsidiary	Amount owed by related party $'000		Amount owed to related party $'000	
	2017	2016	2017	2016
Dreamscape Networks Limited (Parent)	4,478	–	–	–
Pandora Enterprise Holdings Ltd	–	–	45	26
Crazy Domains FZ-LLC	–	61	101	–
Dreamscape Networks FZ-LLC	2,218	14,347	–	–
Dreamscape Networks (Australia) Pty Ltd.	–	–	1,038	663
Web Address Registration Pty Ltd.	732	602	–	–
Dreamscape Networks Europe Limited	–	–	5	4
Dreamscape Networks Limited (Hong Kong)	–	–	–	171
Dreamscape Networks Inc.	–	–	1,758	1,529
Dreamscape Networks Pte. Ltd.	–	–	3,180	328
Dreamscape Networks (Thailand) Co. Ltd.	–	–	–	449
Dreamscape Networks LLC	–	–	1,260	640
Dreamscape Networks, Inc.	–	1	8	–
Net Logistics Pty Ltd.	–	–	33	–
	7,428	15,011	7,428	3,810

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

NOTE 26: 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

	2017	2016
	$'000	$'000
ASSETS		
Current assets		
Cash and cash equivalents	2,338	10
Trade and other receivables	11	8
Due from related parties	4,799	–
Other current assets	1,908	231
Total current assets	9,056	249
Non-current assets		
Investment in Subsidiary - Pandora Enterprise Holdings Limited	10,234	–
Investment in Subsidiary - Net Logistics Pty Ltd.	2,853	–
Deferred tax assets	862	–
Total non-current assets	13,949	–
TOTAL ASSETS	23,005	249
LIABILITIES		
Current liabilities		
Trade and other payables	79	242
Accrued expenses	88	10
Due to related parties	3	–
Income tax payable	848	–
Total current liabilities	1,018	252
TOTAL LIABILITIES	1,018	252
NET ASSETS (LIABILITIES)	**21,987**	(3)
EQUITY		
Issued capital	23,233	10
Share-based payment reserve	1,180	–
Accumulated losses	(2,426)	(13)
TOTAL EQUITY (DEFICIENCY)	**21,987**	(3)

NOTE 26: PARENT ENTITY DISCLOSURES (continued)

STATEMENT OF COMPREHENSIVE INCOME

	2017 $'000	2016 $'000
Salaries and employee benefits	(1,012)	–
Marketing and promotions	(1)	–
General and administrative expenses	(567)	(13)
Operating profit	(1,580)	(13)
Other income - net	8	–
Foreign exchange losses - net	7	–
Profit (loss) before income tax	(1,565)	(13)
Income tax expense	(848)	–
Net profit (loss) for the year	**(2,413)**	(13)
Other comprehensive income, net of income tax	–	–
Total comprehensive income (loss) for the year	**(2,413)**	(13)

NOTE 27: AUDITORS' REMUNERATION

	2017 $	2016 $
Auditor of the parent		
Audit or review services	94,874	10,000
Taxation compliance	55,560	–
Consultancy services	33,908	–
Compliance audit	–	27,500
Investigating Accountant's Report	142,000	–
	326,342	37,500
Network firm		
Audit or review of the financial statements	**23,588**	58,278
Non-network firm		
Audit or review of the financial statements	**9,524**	7,221

NOTE 28: SIGNIFICANT EVENTS AFTER BALANCE DATE

Acquisition of Vodien Group

In line with the Group's strategy to expand operations in South East Asia, the Company announced on 22 June 2017 that it entered into a binding Terms Sheet to acquire Vodien Group, with Vodien Internet Solutions Pte Ltd as the parent company, along with all its wholly-owned subsidiaries. Vodien Group currently holds the highest market share in Website Hosting in Singapore, and third highest market share of .sg domain names.

On 31 July 2017, the Company successfully completed the acquisition of Vodien Group. The purchase price in accordance with the Share Sale and Purchase Agreement is as follows:

- Issue of 42.5 million fully paid shares in the Company
- 20 million Singaporean Dollars (SGD20 million) in cash consideration to be paid as follows:
  - Initial refundable deposit of SGD2 million (AUD1.91 million) paid on 23 June 2017, which has been recorded as 'Other current assets' at 30 June 2017;
  - SGD13 million (AUD11.98 million) paid on settlement which occurred on 31 July 2017; and
  - SGD5 million (approximately AUD4.62 million) to be paid on 29 December 2017.

Following this acquisition, the Company will be required to carry out a purchase price allocation exercise to determine the fair value of assets and liabilities acquired, in particular the allocation of purchase consideration to goodwill and separately identifiable intangible assets.

The calculation of the fair value of net assets acquired is yet to be finalised.

Conversion of Performance Shares

In line with the terms and conditions set out in the Company's IPO Prospectus dated 3 November 2016, 1,273,333 performance shares 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.

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 2017 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 2017.

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

____
Mark Evans
Director

28 September 2017

HLB Mann Judd

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 2017, 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, 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 2017 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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Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition Note 4 of the financial report	
The total revenue of the Group for the year is \$46,401,000. The Group predominately generates revenue through its three core pillars: Domains, Hosting and Solutions. Revenue is recognised as the risk and rewards of ownership are transferred to the buyer. For contracts extending over a period of time, namely those relating to the Domains and Hosting pillars, revenue is recognised over the term of the contract. 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. 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.	Our procedures included but were not limited to the following: ▪ 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.
Acquisition of Net Logistics Pty Ltd Note 24 of the financial report	
During the year the Group acquired 100% of the issued share capital of Net Logistics Pty Ltd for gross purchase consideration of \$2,853,000. This was considered a significant purchase for the Group. 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.	Our procedures included but were not limited to the following: ▪ We read the Share Sale and Purchase agreement to understand its 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 Net Logistics Pty Ltd were fairly stated; ▪ We considered the allocation of the excess of the consideration paid over the identifiable net assets acquired to goodwill and other intangible assets; and ▪ We assessed the adequacy of the Group's disclosures with respect to this business combination.

Acquisition of Pandora Enterprise Holdings Limited Note 24 of the financial report	
During the year, Dreamscape Networks Limited acquired 100% of the issued capital of Pandora Enterprise Holdings Limited. This transaction was enacted through the issue of shares in Dreamscape Networks Limited, such that the vendors of Pandora Enterprise Holdings Limited obtained control of Dreamscape Networks Limited. Accordingly, management determined that this transaction was a reverse acquisition under the principles outlined in AASB 3. We focused on this area as a key audit matter as accounting for this transaction and the disclosure requirements are sufficiently complex, requiring assumptions and judgements in determining the fair value of the consideration paid and net identifiable assets acquired.	Our procedures included but were not limited to the following: ▪ We read the Share Sale and Purchase agreement to understand its key terms and conditions; ▪ We reviewed management's assessment of the fair value of the gross consideration paid, and agreed the assessment to supporting information; ▪ We obtained audit evidence that the acquisition-date assets and liabilities of Pandora Enterprise Holdings Limited were fairly stated; ▪ We obtained audit evidence that the acquisition-date assets and liabilities of Dreamscape Networks Limited were fairly stated, due to the nature of a reverse acquisition; ▪ We ensured that the net impact of the reverse acquisition was correctly reflected in the Consolidated Statement of Comprehensive Income, and that no goodwill was recognised as a result of this transaction; and ▪ We assessed the adequacy of the Group's disclosures with respect to reverse acquisition accounting, including the presentation of the comparative information, being that of Pandora Enterprise Holdings Limited.
Share Based Payments Note 21 of the financial report	
The Group has entered into various share-based payment arrangements with both key management personnel and external parties in the form of options and performance rights. We have considered this to be a key audit matter as we consider it a significant risk under auditing standards and it requires significant management judgement involving estimates that have a degree of estimation uncertainty.	Our procedures included but were not limited to the following: ▪ We considered the treatment of the share-based payment arrangements entered into by the Group to ensure these are consistent with the requirements of AASB 2 'Share-based payment'; and ▪ We examined the treatment of vesting conditions in relation to the amounts recorded for share-based payments during the year.

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 2017, 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.

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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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 2017.

In our opinion, the remuneration report of Dreamscape Networks Limited for the year ended 30 June 2017 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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

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L Di Giallonardo
Partner

Perth, Western Australia
28 September 2017