

# DREAMSCAPE NETWORKS LIMITED

ABN 98 612 069 842

## APPENDIX 4E

### Preliminary Final Report to ASX in Accordance with the Listing Rule 4.3A

#### I. Details of the Reporting Periods

This reports covers the financial year ended 30 June 2017. Corresponding comparative information covers the financial year ended 30 June 2016.

#### II. Results for Announcement to the Market

			30 June 2017	30 June 2016
		%	\$'000	\$'000
(i) Revenue	Up by	8%	46,401	42,932
(ii) Profit for the period before forgiveness of advances to related parties	Down by	36%	2,106	3,310
Less: Forgiveness of advances to related parties			16,050	-
Net profit (loss) for the year attributable to members (NPAT)		Note 1	(13,944)	3,310
(iii) Dividends			n/a	n/a
(iv) Record date for determining entitlements for dividend			n/a	n/a
(v) Brief explanation of any figures above necessary to enable figures to be understood				

Note 1: Due to the large one-off item of expense relating to the forgiveness of advances to related parties upon the acquisition of Pandora Enterprise Holdings Ltd, the % movement in net profit/loss is not considered to be relevant.

#### Highlights for the fiscal year

- Successful completion of Net Logistics acquisition on 31 March 2017 following the initial public offering;
- 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 Amortization (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 shares 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.

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.

In the IPO Prospectus dated 3 November 2016 the Company presented Pro-forma Historical Financial Information for the financial year ended 30 June 2016 to reflect the operating and capital structure of the Dreamscape Networks Group following Completion of the Offer and Acquisition, as if this was in place as at 1 July 2013.

In comparison with the Pro-forma Financials for year ended 30 June 2016, the Group's Net Profit After Tax excluding the forgiveness of advances to related parties was up 91% to \$2.1 million which was in line with the Prospectus forecast, while operating cash flow was up 14% at \$12.1 million.

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

	30-Jun-17	30-Jun-16
	\$'000	\$'000
Statutory NPAT	(13,944)	3,310
Adjustments:		
Interest income – net	(9)	(4)
Depreciation and amortisation	1,346	1,403
Provision for income tax – net	1,038	270
Statutory EBITDA	<u>(11,569)</u>	<u>4,979</u>

*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.

	30-Jun-17	30-Jun-16
	\$'000	\$'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	–
Unrealized foreign exchange losses – net	440	431
Acquisition related costs	275	–
Data centre improvement	268	–
Adjusted EBITDA	<u>10,783</u>	<u>8,733</u>

### III. Dividends

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

### IV. Annual Financial Information

This report includes the following statements:

- Consolidated Statement of Comprehensive Income for the financial year ended 30 June 2017;
- Consolidated Statement of Financial Position as at 30 June 2017;
- Consolidated Statement of Cash Flows for the financial year ended 30 June 2017; and
- Consolidated Statement of Changes in Equity for the financial year ended 30 June 2017.

As at the date of issue of this report, Consolidated Financial Statements for the year ended 30 June 2017 are in the process of being audited.

### V. Net Tangible Assets per Security

Net tangible assets are defined as the net assets of the Group less intangible assets. Assets classified as intangible assets include goodwill, software, and deferred tax assets.

	30-Jun-17	30-Jun-16
Net tangible assets per ordinary share	<u>(\$ 0.03)</u>	<u>Note 2</u>

Note 2: As the Group was a private concern at 30 June 2016 with only a minimal number of shares on issue (10,000), the calculation of net tangible assets per ordinary share is not considered to be relevant to the current Group structure.

## VI. Control Gained over Entities Having Material Effect

### *Acquisition of Pandora Enterprise Holdings Ltd.*

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

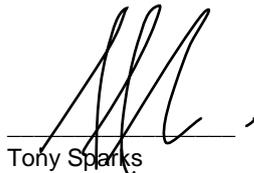
The acquisition by Dreamscape Networks Limited has the features of a reverse acquisition under Australian Accounting Standard AASB 3 "Business Combinations", notwithstanding Dreamscape Networks Limited being the legal parent of the Group. Dreamscape Networks Limited will remain as the legal parent entity. However, the principles of reverse acquisition accounting are applicable 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.

### *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. The acquisition is in line with the Group's growth strategies for Australia and is expected to bring in bookings of \$2.5 million on an annual basis.

In the last quarter of the year, Net Logistics Pty Ltd contributed \$0.62 million to the Group's revenue.

A handwritten signature in black ink, appearing to read "Tony Sparks", written over a horizontal line.

Tony Sparks  
Company Secretary  
Perth  
30 August 2017

**DREAMSCAPE NETWORKS LIMITED**

**ABN 98 612 069 842**

**PRELIMINARY FINAL REPORT**

**30 JUNE 2017**

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

	Notes	30-Jun-17 \$'000	30-Jun-16 \$'000
Revenue		46,401	42,932
Direct costs		<u>(20,491)</u>	<u>(20,055)</u>
<b>Gross profit</b>		<b>25,910</b>	<b>22,877</b>
Salaries and employee benefits		(11,945)	(8,980)
Marketing and promotions		(3,532)	(3,761)
General and administrative expenses		<u>(5,547)</u>	<u>(5,097)</u>
<b>Operating profit</b>		<b>4,886</b>	<b>5,039</b>
Depreciation and amortisation		(1,346)	(1,403)
Other income - net		87	375
Foreign exchange losses - net		(483)	(431)
Forgiveness of advances to related parties		<u>(16,050)</u>	<u>–</u>
<b>Profit (loss) before income tax</b>		<b>(12,906)</b>	<b>3,580</b>
Income tax expense		<u>(1,038)</u>	<u>(270)</u>
<b>Net profit (loss) for the year</b>		<b><u>(13,944)</u></b>	<b><u>3,310</u></b>
Other comprehensive income, net of income tax			
<i>Item that will not be reclassified to profit or loss</i>			
Re-measurement of defined benefit obligation		30	(2)
<i>Item that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations' financial statements		156	84
<b>Other comprehensive income for the year, net of income tax</b>		<u>186</u>	<u>82</u>
<b>Total comprehensive income (loss) for the year</b>		<b><u>(13,758)</u></b>	<b><u>3,392</u></b>
<b>Basic earnings (loss) per share (cents per share)</b>	6	<b><u>(0.05)</u></b>	<b><u>0.01</u></b>

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2017

	Notes	30-Jun-17 \$'000	30-Jun-16 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		17,698	4,609
Other financial assets		154	230
Trade and other receivables		3,398	2,464
Prepayments and other deposits		811	1,458
Due from related parties		–	11,201
Other current assets		1,908	–
<b>Total current assets</b>		<b>23,969</b>	<b>19,962</b>
<b>Non-current assets</b>			
Property and equipment		3,126	1,862
Goodwill and other intangible assets		3,645	1,108
Deferred tax assets		1,163	286
Other non-current assets		67	88
<b>Total non-current assets</b>		<b>8,001</b>	<b>3,344</b>
<b>TOTAL ASSETS</b>		<b>31,970</b>	<b>23,306</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		2,986	1,580
Accrued expenses		1,792	1,036
Other current liabilities		331	267
Deferred revenue - net		19,326	16,984
Income tax payable		992	201
<b>Total current liabilities</b>		<b>25,427</b>	<b>20,068</b>
<b>Non-current liabilities</b>			
Deferred revenue - net		12,446	9,776
Provision for employees' end of service benefits		409	294
Other non-current provisions		635	447
<b>Total non-current liabilities</b>		<b>13,490</b>	<b>10,517</b>
<b>TOTAL LIABILITIES</b>		<b>38,917</b>	<b>30,585</b>
<b>NET ASSETS (LIABILITIES)</b>		<b>(6,947)</b>	<b>(7,279)</b>
<b>EQUITY</b>			
Issued capital	4	12,920	10
Share-based payment reserve	5	1,180	–
Accumulated losses		(21,312)	(7,368)
Other reserves		265	79
<b>TOTAL EQUITY (DEFICIENCY)</b>		<b>(6,947)</b>	<b>(7,279)</b>

The accompanying notes form part of these financial statements

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

	Notes	30-Jun-17 \$'000	30-Jun-16 \$'000
<b>Cash flows from operating activities</b>			
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)
<b>Net cash flows from operating activities</b>		<b>12,138</b>	<b>11,150</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(1,650)	(752)
Purchase of intangible assets		(13)	(38)
Cash acquired on acquisition of Pandora	7	60	-
Acquisition of Net Logistics, net of cash acquired	7	(2,745)	-
Initial deposit on acquisition of Vodien Group	9	(1,908)	-
Release of restricted cash		-	1,000
<b>Net cash flows from (used in) investing activities</b>		<b>(6,256)</b>	<b>210</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		25,000	-
Payment to vendors		(10,000)	-
Payment of transaction costs		(2,735)	-
Advances to related parties		(4,850)	(9,117)
<b>Net cash flows from (used in) financing activities</b>		<b>7,415</b>	<b>(9,117)</b>
<b>Net increase in cash held</b>		<b>13,297</b>	<b>2,243</b>
Cash and cash equivalents at the beginning of the year		4,609	2,683
Effects of exchange rate fluctuations on cash held		(208)	(317)
<b>Cash and cash equivalents at the end of the year</b>		<b>17,698</b>	<b>4,609</b>

The accompanying notes form part of these financial statements

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

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

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. and Net Logistics Pty. 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 comprises the total comprehensive income for the year ended 30 June 2017 of Pandora Enterprise Holdings Ltd. and its subsidiaries, for the period from 1 December 2016 to 30 June 2017 of Dreamscape Networks Limited and for the period from 1 April 2017 to 30 June 2017 of Net Logistics Pty. Ltd.
  - 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 combination 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 December 2016 to 30 June 2017 of Dreamscape Networks Limited and for the period from 1 April 2017 to 30 June 2017 of Net Logistics Pty. Ltd.
  - 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 December 2016 to 30 June 2017 of Dreamscape Networks Limited and for the period from 1 April 2017 to 30 June 2017 of Net Logistics Pty. Ltd.
  - 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: 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, the accompanying financial information presented in AUD has been rounded to the nearest thousand dollars 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.

**NOTE 2: BASIS OF PREPARATION** (continued)

**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.

- *Goodwill and other intangible assets*

Goodwill was acquired as part of the investment in subsidiaries and assessed for impairment annually, with accumulated impairment losses not being reversible.

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.

- *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 an external valuator using a Black-Scholes model, using the assumptions detailed in Note 5.

**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 in the coming financial year.

**NOTE 3: INCOME TAX**

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 100% 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).

**NOTE 3: INCOME TAX** (continued)

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 financial report have been based on this.

**NOTE 4: ISSUED CAPITAL**

	<b>30-Jun-17</b>		<b>30-Jun-16</b>	
	<b>\$'000</b>		<b>\$'000</b>	
<i>Ordinary shares</i>				
Issued and fully paid	<b>12,920</b>		10	

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

<sup>1</sup> 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.

<sup>2</sup> The deemed consideration for shares issued to acquire the legal parent represents the net liabilities of the legal parent at the date of acquisition. The number of shares above has been determined to be the number of shares required to be issued to effect the transaction.

**NOTE 5: SHARE-BASED PAYMENT RESERVE**

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

*Directors and Executives*

	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
	<u>27,500,000</u>				<u>1,005,093</u>	<u>725,455</u>	

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 are detailed in the table below:

	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) <sup>1</sup>	\$0.25	\$0.25	\$0.25

<sup>1</sup>Grant date share price deemed to be the IPO capital raising price.

**NOTE 5: 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 share-based payment reserve.

**NOTE 6: EARNINGS (LOSS) PER SHARE**

	<b>30-Jun-17</b>	30-Jun-16
Basic earnings (loss) per share (cents per share)	<b>(0.05)</b>	0.01
Weighted average number of ordinary shares	<b>300,438,356</b>	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 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 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 dilutive, however, the shares did not have an effect in the computation of weighted average number of ordinary shares at reporting date. Therefore, the diluted earnings (loss) per share is the same as the basic earnings (loss) per share.

**NOTE 7: BUSINESS COMBINATION**

**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.

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

	<u>\$'000</u>
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)
	<u>(80)</u>
Consideration:	
Deemed acquisition consideration	<u>(80)</u>
<i>Net cash inflow arising on acquisition</i>	
Cash and cash equivalents acquired	<u>60</u>

**NOTE 7: BUSINESS COMBINATION** (continued)

**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:

	<u>\$'000</u>
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 provisions	<u>(97)</u>
Fair value of net assets acquired	241
Consideration paid	<u>2,853</u>
Goodwill recognised on acquisition	<u><u>2,612</u></u>

The net cash outflow from the acquisition is as follows:

	<u>\$'000</u>
Cash paid as consideration	2,853
Net cash acquired with subsidiary	<u>(108)</u>
Net cash outflow	<u><u>2,745</u></u>

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 revenue and \$14,118 to the profit after tax attributable to the members of the parent.

**NOTE 8: 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 <sup>1</sup>	Cyprus	100%	–	–	7	7
Dreamscape Networks Limited <sup>2</sup>	Hong Kong	N/A	N/A	100%	–	1
Dreamscape Networks Inc.	Philippines	100%	57%	57%	2	2
Dreamscape Networks Pte. Ltd.	Singapore	100%	100%	100%	1	1
Dreamscape Networks (Thailand) Co. Ltd. <sup>3</sup>	Thailand	N/A	N/A	–	194	194
Dreamscape Networks LLC	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	–

<sup>1</sup>Dormant entity

<sup>2</sup>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 the Hong Kong Companies Registry was completed. Due to the immateriality of the balances, the profit or loss from discontinued operations was not shown separately in the consolidated statement of comprehensive income.

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

**NOTE 9: 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 shares of the Company at \$0.25 per share
- SGD20 million to be paid from internal funds, of which SGD2 million (AUD1.91 million) and SGD 13 million (AUD11.98 million) has been fully paid on 23 June 2017 and 31 July 2017, respectively, and SGD5 million is to be paid on 29 December 2017.

*Issuance 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.