DREAMSCAPE NETWORKS LIMITED
ABN 98 612 069 842

APPENDIX 4D
Half Year Report to ASX in Accordance with the Listing Rule 4.2A.3

I. Details of the Reporting Period

This reports covers six months period ended 31 December 2016. Corresponding comparative information covers six months period ended 31 December 2015.

II. Results for Announcement to the Market

			%	31 December 2016 $'000	31 December 2015 $'000
(i)	Revenue	Up by	6%	22,512	21,247
(ii)	Profit for the period before forgiveness of advances to related parties	Up by	220%	1,582	495
	Less: Forgiveness of advances to related parties			16,050	-
	Net profit (loss) for the period		Note 1	(14,468)	495
(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 considered not to be relevant.

The Group generated its highest ever half year operating result with growth in all key metrics across the Group's business. The Group increased its sales in the higher margin pillars of Hosting by 16% and Solutions by 12% which aligns with the evolution away from being a cut price domain provider to a trusted and affordable online solutions provider.

The Group's reported net loss for the six months ended 31 December 2016 of $14.5 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.

III. 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.

	31 December 2016	31 December 2015
Net tangible assets per ordinary share	($ 0.80)	Note 1

Note 1: As the Group was a private concern at 31 December 2015 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.

IV. Control Gained over Entities Having Material Effect

Acquisition of Pandora Enterprise Holdings Ltd.

On 1 December 2016, Dreamscape Networks Limited (the 'Company') has 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, Pandora Enterprise Holdings, Dreamscape Networks FZ-LLC and its wholly-owned subsidiaries are referred in this financial report as the "Group".

IV. Control Gained over Entities Having Material Effect (continued)

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 to the acquisition will be that 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.

V. Dividends

The Company did not declare or pay any dividends, nor is it proposing to pay any dividends in respect of the six months ended 31 December 2016.

VI. Half Year Financial Report and Independent Auditor’s Review

In compliance with the requirements of Section 302 of the Corporations Act, the Company’s half year financial report for the six months period ended 31 December 2016 have been reviewed by an independent audit firm.

DREAMSCAPE NETWORKS LIMITED

ABN 98 612 069 842

Half-Year Financial Report

31 December 2016

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DIRECTORS' REPORT

Your Directors submit the financial report of the Group for the half-year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of Directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Name	Designation	Appointment Date
Peter James	Non-Executive Chairman	16 September 2016
Mark Evans	Managing Director and Chief Executive Officer	27 April 2016
Michael Malone	Non-Executive Director	16 September 2016
Evan Cross	Non-Executive Director	27 April 2016
Gavin Gibson	Executive Director and Chief Operations Officer	27 April 2016

Review of Operations

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 is 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. 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.

Performance review

	31 December 2016 **$'000**	31 December 2015 $'000
Revenue	**22,512**	21,247
Profit for the period before forgiveness of advances to related parties	**1,582**	495
Net profit (loss) for the period	**(14,468)**	495
Net cash generated from operating activities	**6,382**	4,665

Review of Operations (continued)

The Group generated its highest ever half year operating result with growth in all key metrics across the Group's business. The Group increased its sales in the higher margin pillars of Hosting by 16% and Solutions by 12% which aligns with the evolution away from being a cut price domain provider to a trusted and affordable online solutions provider.

The Group increased its staff numbers significantly since the same corresponding period in 2015 in line with the significant growth in the business, in particular 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.

Marketing spend was less compared to the same corresponding period in 2015 however the Group expects to spend $2.8m in the second half on targeted marketing within current markets and the underserved Small to Medium Businesses in Australia.

As at 31 December 2016, the Group had $17.5 million cash, no debt and a growing cash flow from operating activities with a 9% increase in the bookings, which are the underlying cash sales of the Group.

The Group's reported net loss for the six months ended 31 December 2016 of $14.5 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 lodged with Australian Securities and Investments Commission (ASIC) on 3 November 2016 (the "IPO Prospectus").

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

- International expansion – focus on higher growth markets, in particular English speaking Asian countries Singapore, Hong Kong, Indonesia, Malaysia and Philippines
- Marketing - targeted marketing within current markets and underserved segments such as SMBs to be spent in the second half of the year
- Acquisitions - acquisitions of complementary businesses and products
- 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
- Product Development - accelerate development of new and refreshed products

Events after Reporting Date

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

Rounding of Amounts

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

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 review of the half-year financial report. This Independence Declaration is set out on page 3 and forms part of this Directors' report for the half-year ended 31 December 2016.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Peter James
Chairman

23 February 2017

AUDITOR'S INDEPENDENCE DECLARATION

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Dreamscape Networks Limited for the half-year ended 31 December 2016, 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 review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia	**L Di Giallonardo**
23 February 2017	**Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	**31 December 2016 $'000**	31 December 2015 $'000
Revenue		**22,512**	21,247
Direct costs		**(10,248)**	(10,808)
Gross profit		**12,264**	10,439
Salaries and employee benefits		**(5,688)**	(3,969)
Marketing and promotions		**(1,167)**	(2,767)
General and administrative expenses		**(2,530)**	(2,529)
Operating profit		**2,879**	1,174
Depreciation and amortisation		**(629)**	(722)
Other income - net	6	**61**	352
Foreign exchange losses - net		**(24)**	(165)
Forgiveness of advances to related parties	3(b)	**(16,050)**	-
Profit/ (loss) before income tax		**(13,763)**	639
Income tax expense	4	**(705)**	(144)
Net profit (loss) for the period		**(14,468)**	495
Other comprehensive income, net of income tax			
Item that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation		**30**	-
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations' financial statements		**89**	76
Other comprehensive income for the period, net of income tax		**119**	76
Total comprehensive income (loss) for the period		**(14,349)**	571
Basic earnings (loss) per share (cents per share)	7	**(5.77)**	0.21

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	**31 December 2016 $'000**	30 June 2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**17,471**	4,501
Other financial assets		**200**	230
Trade and other receivables		**2,879**	2,572
Prepayments and other deposits		**847**	1,458
Due from related parties	3	**-**	11,201
Total current assets		**21,397**	19,962
Non-current assets			
Property and equipment		**2,168**	1,862
Goodwill and other intangible assets		**1,053**	1,108
Deferred tax assets	4	**1,197**	286
Other non-current assets		**90**	88
Total non-current assets		**4,508**	3,344
TOTAL ASSETS		**25,905**	23,306
LIABILITIES			
Current liabilities			
Trade and other payables		**1,637**	1,580
Accrued expenses		**1,597**	1,372
Other current liabilities		**448**	378
Deferred revenue - net		**17,666**	16,984
Income tax payable	4	**808**	201
Total current liabilities		**22,156**	20,515
Non-current liabilities			
Deferred revenue - net		**11,580**	9,776
Provision for employees' end of service benefits		**387**	294
Total non-current liabilities		**11,967**	10,070
TOTAL LIABILITIES		**34,123**	30,585
NET ASSETS (LIABILITIES)		**(8,218)**	(7,279)
EQUITY			
Issued capital	5	**13,027**	10
Share-based payment reserve	5	**393**	-
Accumulated losses		**(21,836)**	(7,368)
Other reserves		**198**	79
TOTAL EQUITY/ (DEFICIENCY)		**(8,218)**	(7,279)

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	**31 December 2016** **$'000**	31 December 2015 $'000
Cash flows from operating activities			
Receipts from customers		**24,723**	22,433
Payments for suppliers and employees		**(18,269)**	(17,915)
Other income received		**62**	445
Income taxes paid		**(194)**	(298)
Net cash flows from operating activities		**6,322**	4,665
Cash flows from investing activities			
Purchase of property and equipment		**(880)**	(487)
Purchase of intangible assets		**(1)**	(19)
Cash acquired on acquisition of accounting subsidiary	8	**60**	-
Payment for lease deposits		**-**	(5)
Release of restricted cash		**-**	998
Net cash flows from (used in) investing activities		**(821)**	487
Cash flows from financing activities			
Proceeds from the issue of shares		**25,000**	-
Payment to vendors		**(10,000)**	-
Payment of transaction costs		**(2,708)**	-
Advances to related parties		**(4,850)**	(1,102)
Net cash flows from (used in) financing activities		**7,442**	(1,102)
Net increase in cash held		**12,943**	4,050
Cash and cash equivalents at the beginning of the period		**4,501**	2,227
Effects of exchange rate fluctuations on cash held		**27**	21
Cash and cash equivalents at the end of the period		**17,471**	6,298

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	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)
Profit for the period		-	-	495	-	495
Other comprehensive income for the period		-	-	-	76	76
Balance at 31 December 2015		10	-	(10,183)	73	(10,100)
Balance at 1 July 2016		10	-	(7,368)	79	(7,279)
Net loss for the period		-	-	(14,468)	-	(14,468)
Other comprehensive income for the period		-	-	-	119	119
Total comprehensive loss for the period		-	-	(14,468)	119	(14,349)
Shares issued during the period	5	15,000	-	-	-	15,000
Share issue costs (net of tax effect)		(1,899)	-	-	-	(1,899)
Deemed consideration of reverse acquisition	5,8	(84)	-	-	-	(84)
Share-based payments	5	-	393	-	-	393
Balance at 31 December 2016		**13,027**	**393**	**(21,836)**	**198**	**(8,218)**

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 1: CORPORATE INFORMATION

Dreamscape Networks Limited (the "Company") is a company incorporated and domiciled in Australia, and listed on the Australian Securities Exchange (ASX). Its registered office and principal place of business is Level 2, 8 Howlett Street, North Perth, WA 6006, Australia.

The Company is a for-profit entity for the purpose of preparing the condensed consolidated financial statements. The principal activities of the Company and its subsidiaries (the "Group"), comprise the business of providing domain name, hosting and online services and solutions.

The financial information in this report for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 23 February 2017.

Acquisition of Pandora Enterprise Holdings Ltd.

On 1 December 2016, 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 condensed consolidated financial statements of the Group as at 31 December 2016 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.

The implications of the acquisition by Pandora Enterprise Holdings Ltd on the condensed consolidated financial statements are as follows:

(i) Condensed consolidated statement of comprehensive income

- The condensed consolidated statement of comprehensive income comprises the total comprehensive income for the six months ended 31 December 2016 of Pandora Enterprise Holdings Ltd. and for the period from 1 December 2016 to 31 December 2016 of Dreamscape Networks Limited.
- The comparative information for the six months ended 31 December 2015 is the condensed consolidated statement of comprehensive income of Pandora Enterprises Holdings Ltd.

(ii) Condensed consolidated statement of financial position

- The condensed consolidated statement of financial position as at 31 December 2016 represents the combination of Dreamscape Networks Limited and Pandora Enterprise Holdings Ltd.
- The comparative information as at 30 June 2016 is the consolidated statement of financial position of Pandora Enterprise Holdings Ltd.

(iii) Condensed consolidated statement of cash flows

- The 2016 condensed consolidated statement of cash flows for the six months ended 31 December 2016 comprises the cash flows of Pandora Enterprise Holdings Ltd. and for the period from 1 December 2016 to 31 December 2016 of Dreamscape Networks Limited.
- The comparative information for the six months ended 31 December 2015 is the condensed consolidated statement of cash flows of Pandora Enterprise Holdings Ltd.

(iv) Condensed consolidated statement of changes in equity

- The condensed consolidated statement of changes in equity for the six months ended 31 December 2016 comprises the changes in equity of Pandora Enterprise Holdings Ltd. and for the period from 1 December 2016 to 31 December 2016 of Dreamscape Networks Limited.
- The comparative information for the six months ended 31 December 2015 is the condensed consolidated statement of changes in equity of Pandora Enterprise Holdings Ltd.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The general purpose condensed consolidated financial statements (referred thereafter as *"half-year financial report"*) for the half-year ended 31 December 2016 has been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the AASB. Compliance with AASB 134 ensures compliance with International Accounting Standard (IAS) 34 'Interim Financial Reporting'.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the annual financial report. It is recommended that the half-year financial report be read in conjunction with any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The half-year financial report have been prepared on an accrual basis and are based on historical costs.

The condensed 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 accounting policies adopted in the preparation of the Group's condensed consolidated financial statements for the half-year ended 31 December 2016 are set out below. These accounting policies are consistent with AAS and with International Financial Reporting Standards (IFRS).

The condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows, and condensed consolidated statement of changes in equity provide comparative information for the half-year ended 31 December. Where necessary, the comparatives have been reclassified to be consistent with the current period disclosures.

Accounting policies and methods of computation

a. Basis of Consolidation

The condensed consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Dreamscape Networks Limited as at 31 December 2016 and the results of its subsidiaries for the six months ended 31 December 2016. The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Subsidiaries are all those entities over which the Group has control over the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the investor less any impairment charges.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the profit or loss. Any investment retained is recognised at fair value.

On consolidation, the assets and liabilities of foreign operations are translated into the functional currency at exchange rates prevailing at the reporting date and their income and expenses are translated at average exchange rates for the year. The exchange differences arising on translation are taken directly and deferred in the consolidated statement of comprehensive income. On disposal of foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies and methods of computation (continued)

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 AUD 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.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other financial instruments designated as hedges of such Investments, are taken to shareholders' equity. When a foreign operation is sold, ceases operation or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

c. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, when the significant risks and rewards of ownership of the product has been transferred to the buyer and when it is probable that the future economic benefits will flow to the Group.

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 for which it relates.

(i) Domain registration, hosting, and web designing

Revenue from the principal activities of the Group is recognised on a straight-line basis over the subscription period or term for which the product relates.

(ii) Revenue from services

Revenue from services is recognised in the accounting period in which the services are rendered.

(iii) Finance income

Finance income is accrued on a time basis, by reference to the principal outstanding and effective interest rate applicable.

d. Income Tax

The income tax expense or revenue 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 by 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies and methods of computation (continued)

d. Income Tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit and loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

e. Impairment of Non-financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

f. 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.

g. Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment provision. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant year. The effective interest rate of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

h. Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and any identified impairment loss. The cost of property and equipment represents purchase cost together with any incidental expenses of acquisition.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies and methods of computation (continued)

h. Property and Equipment (continued)

Property and equipment are depreciated using the straight-line method, at rates calculated to reduce the cost of assets to their estimated residual values over the expected useful lives of the assets as follows:

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

The assets' residual value, useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefit from these assets. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

i. Intangible Assets

(i) Goodwill

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.

At each reporting date, the Group assesses whether there is any indication that goodwill may be impaired. If such indication exists the entity estimates the recoverable amount of the asset. Impairment losses on goodwill are not reversed.

(ii) Other intangible assets

Other intangible assets acquired separately are carried at cost less accumulated amortisation and any identified impairment loss. Amortisation is charged on a straight-line basis over their estimated useful lives. All intangible assets are considered to have a finite useful life. When it is not possible to make a reliable estimate of the useful life of an intangible asset, the life is be presumed to be ten years. The estimated useful lives are reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

(iii) Software

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.

j. Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. These amounts are carried at amortised cost and due to their short term nature they are not discounted. These amounts are unsecured and are usually paid within 30 days of recognition.

k. Provisions and Employee Benefits

Provisions are recognised when the Group has a present legal or constructive obligation 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.

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.

(i) Employee Benefits

Liabilities for salaries and other employee benefits such as annual leave and vesting personal leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies and methods of computation (continued)

k. Provisions and Employee Benefits (continued)

(i) Employee Benefits (continued)

A provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by the employees up to the date of the consolidated statement of financial position. The provision relating to the annual leave and leave passage is classified and included in accruals as a current liability, while that relating to employees' end of service benefits is disclosed as a non-current liability as it is not expected to be settled within 12 months.

(ii) Superannuation

The consolidated entity contributes superannuation benefits to numerous, but solely accumulation-type superannuation funds at fixed percentages of salary pursuant to employee contracts and statutory obligations.

(iii) 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 Company presents the first two components of defined benefit costs in profit or loss as part of salaries and benefits.

l. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

m. Leases

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies and methods of computation (continued)

m. Leases (continued)

Operating lease payments are recognised as an operating expense in the 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.

n. 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.

o. Earnings per Share

(i) Basic earnings per share

Basic earnings 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.

(ii) Diluted earnings per share

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.

Adoption of new and revised standards

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

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.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

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).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

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.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The directors anticipate that the adoption of AASB 15 will not have an impact on the Group's consolidated financial statements.

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.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's consolidated financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Significant accounting judgments and key estimates

The preparation of half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of both Dreamscape Networks Limited and Pandora Enterprise Holdings Ltd. for the year ended 30 June 2016.

In the half-year ended 31 December 2016, management reassessed its estimates in respect of:

- *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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Going concern

Notwithstanding the fact that the Group has a deficiency in net assets of $8.2 million as well as a working capital deficiency of $759,000, the Directors are of the opinion that the Group is a going concern for the following reasons.

- The condensed consolidated statement of financial position as at 31 December 2016 includes a significant liability relating to net deferred revenue, totalling $29.2 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 six months ended 31 December 2016 of $6.3 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
- As set out in the Company's IPO prospectus lodged with ASIC on 3 November 2016, the Company has forecast significant profits and cash inflows from operations for the financial year 2017.

NOTE 3: RELATED PARTY TRANSACTIONS

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 in 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

	31 December 2016	31 December 2015
	$'000	$'000
Compensation to key management personnel comprises:		
Salaries and other short term employee benefits	**971**	106
Share-based payments	**257**	-
Termination and post-employment benefits	**162**	-
	1,390	106

(b) Balances arising from transactions with related parties

	31 December 2016	30 June 2016
	$'000	$'000
Due from related parties	**-**	11,201

Due from 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 4: INCOME TAX

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 Company'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).

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.

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

	31 December 2016	31 December 2015
	$'000	$'000
Accounting profit before income tax	**2,287**	639
Income tax expense calculated at 30%	**686**	192
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
• Effect of non-deductible share-based payments	**77**	-
• Effect of different tax rates of subsidiaries operating in other jurisdictions	**(58)**	(48)
Income tax expense reported in the consolidated statement of comprehensive income	**705**	144

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.

Amounts recognised directly in equity

The following current and deferred amounts were credited directly to equity during the half-year:

	31 December 2016	31 December 2015
	$'000	$'000
Deferred tax		
• Share issue costs deductible over 5 years	**815**	-

Deferred tax assets comprise:

	31 December 2016	31 December 2015
	$'000	$'000
Share issue costs	**734**	-
Provisions for employee benefits	**228**	139
Other timing differences	**235**	147
	1,197	286

NOTE 5: ISSUED CAPITAL

Ordinary shares

	31 December 2016 $'000	30 June 2016 $'000
Ordinary shares		
Issued and fully paid	**13,027**	10

	Six months to 31 December 2016		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**	**(84)**	-	-
Share issue costs incurred (net of tax-effect)	**-**	**(1,899)**	-	-
Balance at end of period	**344,000,000**	**13,027**	10,000	10

[1] Pursuant to the Company's 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.

Share options

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

Directors and Executives

	Number of Options	Grant date	Expiry Date	Exercise Price	Fair value at grant date	Value recorded at 31 December 2016	Vesting Date
Tranche 1	11,000,000	2 November 2016	30 June 2020	0.25	583,902	143,543	30 June 2017
Tranche 2	8,250,000	2 November 2016	30 June 2021	0.35	250,147	24,395	30 June 2018
Tranche 3	8,250,000	2 November 2016	30 June 2022	0.45	171,043	10,404	30 June 2019
	27,500,000				1,005,092	178,341	

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)[1]	$0.25	$0.25	$0.25

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

NOTE 5: ISSUED CAPITAL (continued)

These options were issued to the following directors and executives:

	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:				
Anthony Sparks	1,000,000	750,000	750,000	2,500,000
Total	11,000,000	8,250,000	8,250,000	27,500,000

Advisers

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

Number	Grant Date	Expiry Date	Exercise Price	Fair value at grant date	Vesting Date
2,814,900	1 December 2016	31 December 2019	0.25	136,309	01 December 2016

The Black-Scholes model inputs were similar to those used in valuing the director and executive options above.

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 prospectus lodged with ASIC on 3 November 2016.

These performance rights were issued to the following:

	Tranche 1	Tranche 2	Tranche 3	Total
Anthony Sparks	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 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 the date of this report, the directors have resolved that it is probable that the Tranche 1 vesting condition will be achieved, and as a result, a value of $78,257 has been brought to account at 31 December 2016. This value is based on the proportion of the value attributed to the Tranche 1 performance rights that relates to the period to 31 December 2016.

NOTE 6: OTHER INCOME

	31 December 2016	31 December 2015
	$'000	$'000
Gain from accident settlement – net[1]	**-**	283
Revenue from services	**55**	50
Miscellaneous	**6**	19
	61	352

[1]Gain from accident settlement represents the amount received by Dreamscape Networks Inc. (Philippines) from a third party as a gesture of goodwill from an incident during an event hosted by the Company. The amount represents the proceeds received, net of damages and other charges incurred by the Company related to the incident.

NOTE 7: EARNINGS (LOSS) PER SHARE

	31 December 2016	31 December 2015
Basic earnings (loss) per share (cents per share)	**(5.77)**	0.21
Weighted average number of ordinary shares	**250,582,609**	234,400,000

Under the principles of revenue 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. At reporting date, the options and performance rights are not considered to be dilutive, therefore, the diluted earnings (loss) per share is the same as the basic earnings (loss) per share.

NOTE 8: BUSINESS COMBINATION

On 1 December 2016, the Company completed the legal acquisition of 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.

	$'000
Net assets acquired	
Cash and cash equivalents	60
Prepayments	939
Other current assets	43
Trade and other payables	(74)
Loan from legal subsidiary	(1,052)
	(84)
Consideration:	
Deemed acquisition consideration	(84)
Net cash inflow arising on acquisition	
Cash and cash equivalents acquired	60

NOTE 9: FINANCIAL INSTRUMENTS

The categories of financial instruments are as follows:

	31 December 2016 $'000	30 June 2016 $'000
Financial assets		
Cash and cash equivalents	**17,471**	4,501
Loans and receivables	**1,437**	13,085
	18,908	17,586
Financial liabilities		
Other financial liabilities	**4,490**	3,531

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

NOTE 10: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last reporting date.

NOTE 11: EVENTS SUBSEQUENT TO REPORTING DATE

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

DIRECTORS' DECLARATION

In the opinion of the Directors of Dreamscape Networks Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

   a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year then ended; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Peter James
Director

23 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Dreamscape Networks Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Dreamscape Networks Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dreamscape Networks Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
23 February 2017