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 report covers the six month period ended 31 December 2018. Corresponding comparative information covers the six month period ended 31 December 2017.

II. Results for Announcement to the Market

		Note		%	**31 December 2018 $'000**	31 December 2017 $'000
(i)	Revenue from ordinary activities	1	Up by	21%	**35,498**	29,305
(ii)	Profit from ordinary activities after tax attributable to members		Up by	119%	**1,646**	752
	Net profit for the period attributable to members		Up by	119%	**1,646**	752
(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

Dreamscape Networks (the 'Company') has delivered a strong first half profit result, with positive contributions from both South East Asia and above market growth in the underlying business in Australia. The results are consistent with the framework we have built to deliver sustainable profitable growth over the long term. Our investment into South East Asia in terms of personnel, infrastructure and marketing investment is part of the Company's core strategy aimed at driving long-term growth in shareholder value.

The Company is making solid progress with its integration of acquisitions and operations, with the full benefits of synergies of both the acquisition strategy and operational consolidation expected to be realised in financial year 2020 (FY20).

The domestic underlying business increased its Total Bookings[1] year-on-year (YoY) contributing 5% to the total growth in Bookings for the Company. This is an encouraging result given the fact that the Australian market place remains flat. The balance of the growth in Total Bookings of 16% has come from the acquisitions made in Australia and South East Asia. Dreamscape remains in a strong market share and financial position and is executing on its strategy to be the #1 Online Solutions Provider in Australia and South East Asia. This increase in Total Bookings flows through to be the improvement in Revenue. The improvement in Revenue has generated an improved Gross Profit with a corresponding improvement in the profit for the period.

Note:
1. *"Total Bookings" represents cash receipts from the sale of products to customers in a given period before effecting adjustments for net refunds granted within the period. This provides valuable insight into the sales of our products and the performance of our business since we typically collect payment at the time of sale.*

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 2018	31 December 2017
Net tangible liabilities per ordinary share (cents)	(11.79)	(8.25)

IV. Control Gained over Entities Having Material Effect

The Company did not gain control over entities which had material effect, during the period other than as set out in Note 10 to the half-year financial report.

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 2018.

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 2018 have been reviewed by an independent audit firm.

DREAMSCAPE NETWORKS LIMITED

ABN 98 612 069 842

Half-Year Financial Report
31 December 2018

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DIRECTORS' REPORT

Your Directors submit the financial report of the Group for the half-year ended 31 December 2018. 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
Peter James	Non-Executive Chairman
Mark Evans	Managing Director and Chief Executive Officer
Gavin Gibson	Executive Director and Chief Operations Officer[1]
Evan Cross	Non-Executive Director
Ng Shin Ein	Non-Executive Director
Michael Malone	Non-Executive Director[2]

Notes
1. *Resigned from his Director role on 22 November 2018. Mr Gibson continues as Chief Operations Officer.*
2. *Resigned 28 September 2018.*

Review of Operations

Dreamscape Networks (the 'Company') has delivered a strong first half profit result, with positive contributions from both South East Asia and above market growth in the underlying business in Australia. The results are consistent with the framework we have built to deliver sustainable profitable growth over the long term. Our investment into South East Asia in terms of personnel, infrastructure and marketing investment is part of the Company's core strategy aimed at driving long-term growth in shareholder value.

The domestic underlying business made improvements contributing to 5% of the total growth in Bookings. This is an encouraging result given the fact that the Australian market place remains flat. The majority of growth being 16% has come from previous and recent acquisitions in Australia and South East Asia. The Company brands of Crazy Domains and Vodien Internet Solutions (Vodien) maintain their leadership positions in Australia and Singapore.

The annuity part of the business, being subscription renewals, remains very strong, with the lifetime of customers in the underlying business averaging 6.2 years. This is attributed to Dreamscape's competitive pricing as well as premium customer care service, with satisfaction currently at an all-time high of over 92%.

In contrast to the mature domestic market, Vodien, the Company's Singapore based hosting business, continues to perform well since its acquisition in 2017. Vodien became the number 1 .sg domain name provider and has also maintained its number 1 status in Singapore for hosting. The recently acquired Hong Kong based business PacHosting has generated returns consistent with our expectations since its acquisition in October 2018. PacHosting provides the Vodien brand with additional marketing opportunities in an established English speaking Asian territory, consistent with Dreamscape's initial IPO strategy.

South East Asia continues to experience high double-digit growth in all digital and social media segments. Expanding Dreamscape Networks' presence across South East Asia is a key growth strategy. Dreamscape has built a strong base and presence in the region, and with a number of newly formed strategic partnerships, the Company is well placed for accelerated growth.

As a result of changes to the merchant acquirer compliance environment, Dreamscape Networks moved its merchant facilities to be based in Singapore, from Europe.

During the transition, there was an interim increase in the costs of operating merchant facilities in the half year, including the processing of credit cards, as well as an increase in foreign exchange settlements. Since the change to Singapore in late FY18 the Company has made significant progress in mitigating these increases in costs which impacted EBITDA by approximately $500,000 in 1HFY19.

The Company has made solid progress with its integration of acquisitions and operations set out in previous ASX releases. The full cost synergies of both the acquisition strategy and operational consolidation are expected to be realised in FY2020.

As at 31 December 2018, the group had $5.1 million cash and a strong cash flow from operating activities, including cash flows from recent acquisitions.

All acquisitions completed during the six months ended 31 December 2018 are consistent with the Company's growth strategy. These are further described below.

Review of Operations (continued)

Acquisitions

Domain Name Registrar

On 1 July 2018, the Company completed the acquisition of the customers, systems and brands of the business operating as Domain Name Registrar (DNR) for a total consideration of $8.5 million.

DNR's principal focus is domain registrations (0.9% .au market share) and web hosting, with approximately 80% of its business coming from domain registrations and 20% from hosting.

The consideration of $8.5 million was funded through Dreamscape's existing Cash Advance Facility with Commonwealth Bank of Australia. There was no dilution to shareholders.

Webserver.sg

On 15 August 2018, the Company completed the acquisition of Webserver.sg Pte Ltd. 100% of Webserver's shares were acquired by Dreamscape's subsidiary Vodien Internet Solutions Pte Ltd.

Webserver.sg focuses on delivering domain names, shared hosting and email hosting services that add significant value to end customers.

Total consideration of S$460,000 was fully funded from operating cash flows.

PacHosting

On 1 October 2018, the Company completed the acquisition of 100% of Hong Kong based hosting and domain business PacHosting from privately held Pacificnet Hosting Limited for a total consideration of USD $3.0 million.

PacHosting's principal business is website and email hosting for SMB's and domain registration. The acquisition is consistent with Dreamscape's strategy to acquire earnings accretive, low risk assets that will be integrated with the Vodien brand.

The acquisition price was negotiated on deferred terms payable before 30 September 2019. Total consideration will be fully funded by internally generated cash flows and available debt facilities.

Hosting Australia

On 1 October 2018, the Company completed the acquisition of the customers, systems, and brand assets of the business operating as Hosting Australia. Hosting Australia is a newly established hosting business based in Melbourne, compatible with Dreamscape's business model. Total consideration of $800,000 was funded from internally generated cash flows and available debt facilities.

Servermule

On 10 December 2018, the Company completed the acquisition of Nimbus2 Pty Ltd. Nimbus2 operates the hosting business Servermule.

Servermule is a well-established hosting business funded in 2011 and based in Sydney. Servermule is compatible with Dreamscape's business model.

Total consideration of $700,000 was funded from internally generated cash flows and available debt facilities.

Restructure and international expansion

Dreamscape has successfully completed the previously announced transition of global headquarters to Singapore. The move integrates marketing for the Group's brands, Crazy Domains and Vodien. It also consolidates the executive team, strengthen finance, administration and human resources functions for the Dreamscape Networks Group. South East Asia is a growing opportunity for Dreamscape Networks with estimated growth for the industry of 70% forecasted for the next two years, including online e-commerce.

The Group is well positioned for future growth. Our focus is to deliver strong sustainable profitable growth, supplemented with disciplined, selective, accretive acquisitions to enhance our technology, broaden our customer base and unlock new market opportunities.

The consolidation of Vodien into the new global headquarters in Singapore, and existing teams in the Philippines into a new technical support centre have us primed to support customer and business growth.

During the six months ended 31 December 2018, the Group acquired three complementary bolt on hosting and domains domestic businesses and two SEA businesses, as noted above.

Review of Operations (continued)

Acquisition funding facility

On 28 December 2017, the Company entered into a $20 million three year cash advance facility with Commonwealth Bank of Australia with a drawdown of $9.8m occurring just before 31 December 2017. 1HFY19 reflects a full six months of finance costs compared to nil in 1HFY18.

As announced on 10 December 2018, the Company negotiated amendments to its existing $20 million cash advance facility with Commonwealth Bank of Australia. The facility has increased to a total of $23 million with monies available for immediate drawdown.

The acquisition funding facility is used to assist Dreamscape Networks in acquiring cash flow positive and earnings accretive businesses while preserving the Company's equity capital and being non diluting to shareholders.

The Company is comfortable with its maximum cash advance facility at $23 million.

The facility continues to have a maturity date of 28 December 2020 and attracts a commercial interest rate based on the relevant period BBSY rate.

Dreamscape Networks Group underlying business

The domestic underlying business made solid improvements with bookings contributing to 5% of the Total Bookings growth. This is an encouraging result given the fact that the Australian market place remains flat.

The underlying business has maintained its position as the number 1 .au domain brand and increased the Average Bookings per User (ABPU) to $146 (June 2018 - $141).

Acquired businesses

During the half year ended 31 December 2018, the Company acquired three complementary bolt-on hosting and domain businesses in Australia and two South East Asia businesses.

These recently acquired businesses generated revenue of $1.77 million during the first half of the financial year, and provided the Company with growth in market share both in Australia and South East Asia.

Customer care and sales

Through continuous training and development the Company has maintained its high standards of customer service. The Technical Support Centre in Cebu, Philippines achieved an average customer satisfaction rate in excess of 92% during the period. In addition, Dreamscape Networks was a winner of the Australian Business Award for outstanding achievement in customer experience management.

The in-house sales team now generates on average Total Bookings in excess of $1.1 million monthly.

Marketing and strategic partnerships

The Group has strategically positioned its key marketing resources in Singapore. This positioning is in line with the Company's growth strategy in South East Asia. Through strategic partnerships and targeted marketing spend, the Company maintained its position as the number 1 .au domain brand. The Company maintained its number 1 status in Singapore for hosting and became the number 1 .sg domain provider.

During the half year, Dreamscape announced a major marketing partnership with One Championship to build the Company's brands across key South East Asia markets. Other significant marketing partnerships are:

- PayPal in Australia and South East Asia
- Devcon, a developer community in the Philippines

Product development

The Group continues to enhance its existing range of products and solutions as well as create new products and solutions through its world-class developers.

Events after Reporting Date

The Company has evaluated events from 31 December 2018 through to the date the financial statements were issued. There were no subsequent events that require disclosure.

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 5 and forms part of this Directors' report for the half-year ended 31 December 2018.

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.

Mark Evans
Director

21 February 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2018, 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**
21 February 2019	**Partner**

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Notes	**31 December 2018 $'000**	31 December 2017 $'000
Revenue	3	**35,498**	29,305
Direct costs		**(13,788)**	(12,053)
Gross profit		**21,710**	17,252
Salaries and employee benefits		**(9,622)**	(8,389)
Marketing and promotions		**(2,228)**	(2,560)
General and administrative expenses		**(5,228)**	(3,373)
		4,632	2,930
Depreciation and amortisation		**(1,482)**	(1,004)
Other income (loss) - net		**250**	(207)
Foreign exchange losses - net		**(471)**	(681)
Finance cost		**(655)**	-
Profit before income tax		**2,274**	1,038
Income tax expense	4	**(628)**	(286)
Net profit for the period		**1,646**	752
Other comprehensive income, net of income tax			
Item that will not be reclassified to profit or loss			
Re-measurement of defined benefit obligation		**12**	67
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations' financial statements		**(48)**	55
Other comprehensive income / (loss) for the period, net of income tax		**(36)**	122
Total comprehensive income for the period		**1,610**	874
Basic earnings per share (cents per share)	9	**0.42**	0.20
Diluted earnings per share (cents per share)	9	**0.42**	0.20

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	**31 December 2018 $'000**	30 June 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**5,066**	5,627
Other financial assets		**1,347**	381
Trade and other receivables		**5,636**	5,206
Prepayments and other deposits		**2,233**	1,224
Total current assets		**14,282**	12,438
Non-current assets			
Property and equipment		**8,460**	8,667
Goodwill and other intangible assets	10	**62,922**	42,851
Deferred tax assets		**1,284**	1,284
Prepayments and other deposits		**753**	-
Other non-current assets		**692**	1,018
Total non-current assets		**74,111**	53,820
TOTAL ASSETS		**88,393**	66,258
LIABILITIES			
Current liabilities			
Trade and other payables		**6,574**	5,012
Borrowings	5	**3,880**	313
Accrued expenses		**3,923**	2,606
Other current liabilities		**944**	1,748
Deferred revenue - net	3	**19,436**	19,435
Income tax payable		**1,380**	1,123
Total current liabilities		**36,137**	30,237
Non-current liabilities			
Trade payables		**504**	-
Borrowings	5	**19,585**	11,506
Deferred revenue - net	3	**13,557**	11,485
Deferred tax liabilities	4	**4,072**	118
Provision for employees' end of service benefits		**218**	291
Total non-current liabilities		**37,936**	23,400
TOTAL LIABILITIES		**74,073**	53,637
NET ASSETS		**14,320**	12,621
EQUITY			
Issued capital	7	**23,494**	23,225
Share-based payment reserve	8	**1,284**	1,464
Accumulated losses		**(10,578)**	(12,224)
Other reserves		**120**	156
TOTAL EQUITY		**14,320**	12,621

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	**31 December 2018 $'000**	31 December 2017 $'000
Cash flows from operating activities			
Receipts from customers		**33,672**	28,374
Payments for suppliers and employees		**(30,339)**	(25,966)
Other income received		**90**	49
Income taxes paid		**(364)**	(52)
Net cash flows from operating activities		**3,059**	2,405
Cash flows from investing activities			
Purchase of property and equipment		**(1,188)**	(888)
Payment for intangible assets		**(84)**	(727)
Business acquisitions, net of cash acquired	10	**(13,253)**	(16,156)
Payment for lease deposits		**(50)**	(192)
Net cash flows used in investing activities		**(14,575)**	(17,963)
Cash flows from financing activities			
Proceeds from bank loan		**13,742**	12,800
Payment for borrowing costs		**(53)**	(210)
Repayment of loans		**(2,118)**	-
Payment of interest		**(580)**	-
Payment of acquisition-related costs		**(137)**	(239)
Net cash flows from financing activities		**10,854**	12,351
Net decrease in cash held		**(662)**	(3,207)
Cash and cash equivalents at the beginning of the period		**5,627**	17,698
Effects of exchange rate fluctuations on cash held		**101**	(204)
Cash and cash equivalents at the end of the period		**5,066**	14,287

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Issued capital	Share-based payment reserve	Accumulated losses	Other reserves	Total equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017 (restated)	12,920	1,180	(14,957)	265	(592)
Net loss for the period			752	-	752
Other comprehensive income for the period	-	-	-	122	122
Total comprehensive loss for the period	-	-	752	122	874
Shares issued during the period	9,987	-	-	-	9,987
Shares issued from conversion of performance rights	318	(318)	-	-	-
Share-based payments	-	339	-	-	339
Balance at 31 December 2017	**23,225**	**1,201**	**(14,205)**	**387**	**10,608**
Balance at 1 July 2018	23,225	1,464	(12,224)	156	12,621
Net profit for the period			1,646	-	1,646
Other comprehensive income for the period	-	-	-	(36)	(36)
Total comprehensive income for the period	-	-	1,646	(36)	1,610
Shares issued from conversion of performance rights	269	(269)	-	-	-
Share-based payments	-	89	-	-	89
Balance at 31 December 2018	**23,494**	**1,284**	**(10,578)**	**120**	**14,320**

The accompanying notes form part of these financial statements

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

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 is Level 2, 50 Kings Park Road, West Perth WA 6005. Its principal place of business is #09-01, Tai Seng Centre, 3 Irving Road, Singapore 369522.

The Company is a for-profit entity for the purpose of preparing the condensed consolidated financial statements (referred thereafter as *"half-year financial report"*). 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 2018 was authorised for issue in accordance with a resolution of the directors on 21 February 2018.

Business acquisitions during the period

<u>Domain Name Registrar</u>

On 1 July 2018, Dreamscape Networks Limited completed the acquisition of the customers, systems, and brand assets of the business operating as Domain Name Registrar.

<u>Webserver.sg</u>

On 15 August 2018, Dreamscape Networks Limited completed the acquisition of Webserver.sg Pte Ltd. 100% of Webserver.sg's shares were acquired by Dreamscape's subsidiary Vodien Internet Solutions Pte Ltd.

<u>PacHosting</u>

On 1 October 2018, Dreamscape Networks Limited completed the acquisition of the Hong Kong based hosting and domain business operating as PacHosting from privately held Pacificnet Hosting Limited.

<u>Hosting Australia</u>

On 1 October 2018, Dreamscape Networks Limited completed the acquisition of the customers, systems, and brand assets of the business operating as Hosting Australia.

<u>Servermule</u>

On 10 December 2018, Dreamscape Networks Limited completed the acquisition of Nimbus2 Pty Ltd. Nimbus2 operates the hosting business Servermule.com.au.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The general purpose condensed consolidated financial statements for the half-year ended 31 December 2018 have 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 a full 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 the annual financial report for the year ended 30 June 2018 and any public announcements made by the Company during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Basis of preparation

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

The condensed consolidated financial statements are presented in Australian Dollars (AUD or $), 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year, except for the changes applied as set out below. These accounting policies are consistent with AASBs and with International Financial Reporting Standards (IFRS).

The condensed consolidated statement of financial position provides comparative information as at 30 June 2018. 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 2017. Where necessary, the comparatives have been reclassified to be consistent with the current period disclosures.

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2018

In the period ended 31 December 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies. The Group early adopted AASB15 Revenue from Contracts with Customers in the year ended 30 June 2018 with the date of initial application being 1 July 2017.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model.

Financial instruments are classified as either held at amortised cost or fair value.

Financial instruments are carried at amortised cost if the business model concept can be satisfied.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative years.

Standards and Interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods. Those which may have a significant impact to the Group are set out below. The Group does not plan to adopt these standards early.

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;

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

- 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.

This Standard will primarily affect the accounting for the Group's operating lease commitments predominately relating to office leases in Singapore, Cebu, Sydney and Ukraine. The Group is considering available options to account for this transition which may result in an increase in reported earnings before interest, tax and depreciation and amortisation (EBITDA) and increase in lease assets and liabilities recognition. The Standard may also have an impact on deferred tax balances. This will however be dependent on the lease arrangements in place when the new Standard is effective, The Group has commences the process of evaluating the impact of the new Standard.

The directors anticipate that the adoption of AASB 16 will impact the Group's consolidated financial statements and have commenced the process of evaluating this impact.

Significant accounting judgments and key estimates

The preparation of the 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, the judgements, estimates and assumptions applied in the half-year financial report, including the key sources of estimation uncertainty, were the same as those applied in the Group's last audited financial statements for the year ended 30 June 2018.

Revenue recognition

Revenue is recognised at a point in time, or over time, based on the principles of AASB 15. Management has used sufficient and appropriate tools as guided by the standard, enabling the Group to reach consistent conclusions in recognising revenue. Any changes in the application or interpretation of the revenue recognition principle shall be taken up in the consolidated statement of comprehensive income, where applicable.

NOTE 3: REVENUE

Domain registration, hosting, solutions

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

Revenue from services

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

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

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

Finance income

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

NOTE 3: REVENUE (continued)

Disaggregation of revenue

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

	2018 $'000	2017 $'000
Segment revenue		
Domain registration	**15,240**	12,907
Hosting and solutions	**20,256**	16,378
Other revenue	**2**	20
Total	**35,498**	29,305

Timing of revenue recognition	31 December 2018 $'000	31 December 2017 $'000
At a point in time:		
Domain registration	**15,240**	12,907
Other revenue	**2**	20
	15,242	12,927
Over time:		
Hosting and solutions	**20,256**	16,378
Total	**35,498**	29,305

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

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

Classification of net deferred revenue is as follows:

	31 December 2018 $'000	30 June 2018 $'000
Current:		
Unearned revenue	**20,024**	20,351
Deferred costs	**(588)**	(916)
	19,436	19,435
Non-current:		
Unearned revenue	**13,577**	11,485
Deferred costs	**(20)**	-
	13,557	11,485

NOTE 4: 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 wholly owned subsidiary, Dreamscape Networks FZ-LLC (a company incorporated in the United Arab Emirates) which is a non-resident for Australian tax laws. Dreamscape Networks FZ-LLC receives income, in part, from Australian customers. Generally, an Australian resident company will not be assessed on dividends received from a wholly-owned foreign subsidiary. A wholly-owned foreign subsidiary would fall within the definition of a Controlled Foreign Company (CFC).

NOTE 4: 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 consolidated financial statements 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 2018	31 December 2017
	$'000	$'000
Accounting profit before income tax	**2,274**	1,038
Income tax expense calculated at 30%	**682**	311
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
• Effect of non-deductible share-based payments	**28**	102
• Effect of different tax rates of subsidiaries operating in other jurisdictions	**(83)**	(127)
Income tax expense reported in the consolidated statement of comprehensive income	**628**	286

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

Deferred tax liabilities

Deferred tax liabilities increase by $3.95 million as result of the recognition of a number of trade names related to Vodien Internet Solutions and its subsidiaries. AASB112 requires a deferred tax liability to be recorded for these temporary differences as the trade names have a zero tax base.

NOTE 5: BORROWINGS

	31 December 2018	30 June 2018
Current:	**$'000**	$'000
Secured bank loan, net of capitalised borrowing costs (i)	**2,450**	313
Loan – Cloudsafe Holdings limited (ii)	**1,430**	-
	3,880	313
Non-current:		
Secured bank loan, net of capitalised borrowing costs (i)	**19,585**	11,506

(i) Cash advance facility with Commonwealth Bank of Australia

As announced to the ASX on 28 December 2017, the Company finalised a $20 million three-year cash advance facility with the Commonwealth Bank of Australia (CBA) to assist with the funding of business acquisitions. On 10 December 2018, Dreamscape announced that it had negotiated amendments to the $20 million advance facility, which was increased to $23 million with monies available for immediate drawdown. Funds were used for the balance of the purchase price for the Hong Kong business Pacificnet Hosting Limited (PacHosting) as announced 1 October 2018.

The CBA bank facility has a maturity date of 28 December 2020. The facility attracts a commercial interest rate based on the relevant period BBSY rate.

At 31 December 2018, the outstanding balance from the facility was $22.38 million.

(ii) Loan agreement with Cloudsafe Holdings Limited

On 28 September 2018, the Company entered into a loan agreement for USD$1 million with Cloudsafe Holdings Limited, a company owned by the Managing Director, Mark Evans. The agreement was entered into at arm's length, the loan is unsecured with interest charged at 8% per annum. Funds were used to assist with business acquisitions. The repayment date is 28 June 2019, or such other date as agreed by the Lender and the Borrower in writing.

NOTE 6: SEGMENT REPORTING

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

The revenue from external customers based on geographical areas is significantly attributed to Australia, which accounts for approximately 73% of the total revenue. Customers from other countries individually contribute to approximately 27% of the total revenue.

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

- Australia 7.9%
- Singapore 78.3%
- Philippines 12.7%
- UAE 0.8%
- Ukraine 0.3%

NOTE 7: ISSUED CAPITAL

Ordinary shares

	Six months to 31 December 2018		Year to 30 June 2018	
	No.	**$'000**	No.	$'000
Movements in ordinary shares				
Balance at beginning of period	**387,773,333**	**23,225**	344,000,000	12,920
Issued on conversion of performance rights	**1,073,333**	**268**	1,273,333	318
Issued as consideration for acquisition of Vodien	**-**	**-**	42,500,000	9,987
Balance at end of period	**388,846,666**	**23,493**	387,773,333	23,225

Options

	Six months to 31 December 2018		Year to 30 June 2018	
	No.	**$'000**	No.	$'000
Movements in share options				
Balance at the beginning of the period	**30,314,900**	**1,077**	30,314,900	862
Issued during the period	**-**	**-**	-	-
Exercised into ordinary shares	**-**	**-**	-	-
Expensed during the period	**-**	**29**	-	215
Balance at end of period	**30,314,900**	**1,106**	30,314,900	1,077

No share options were exercised during the period.

Performance Rights

	Six months to 31 December 2018		Year to 30 June 2018	
	No.	**$'000**	No.	$'000
Movements in performance rights				
Balance at the beginning of period	**2,146,667**	**387**	3,820,000	318
Issued during the period	**-**	**-**	-	-
Converted into ordinary shares	**(1,073,333)**	**(269)**	(1,273,333)	(318)
Cancelled during the period	**-**	**-**	(400,000)	(53)
Expensed during the period	**-**	**60**	-	440
Balance at end of period	**1,073,334**	**178**	2,146,667	387

NOTE 8: SHARE BASED PAYMENT RESERVE

	31 December 2018 $'000	30 June 2018 $'000
Share options	**1,109**	1,077
Performance rights	**178**	387
Balance at the end of the period	**1,284**	1,464

The Share Based Payment reserve is used to recognise the fair value of options and performance rights issued.

NOTE 9: EARNINGS PER SHARE

	31 December 2018	31 December 2017
Basic earnings per share (cents per share)	**0.42**	0.20
Diluted earnings per share (cents per share)	**0.42**	0.20
Weighted average number of ordinary shares	**388,665,833**	380,358,178

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 per share is the same as the basic earnings per share.

NOTE 10: GOODWILL AND OTHER INTANGIBLE ASSETS

	Provisionally accounted intangibles $'000	Goodwill $'000	Trade names $'000	Software $'000	Customer list $'000	Total $'000
Cost						
As at 1 July 2017	2,612	1,603	–	307	–	4,522
Additions	–	–	–	725	–	725
Acquired through business combination	33,304	5,297	–	40	–	38,641
Transfers	(2,612)	2,612	–	–	–	–
Exchange differences on translation of foreign operations' financial statements	–	–	–	5	–	5
As at 30 June 2018	33,304	9,512	–	1,077	–	43,893
Additions	–	–	–	21	63	84
Acquired through business combination	16,208	–	–	–	–	16,208
Deferred Tax Liability arising from business combination	–	3,948	–	–	–	3,948
Transfers	(33,304)	10,080	23,224	–	–	–
As at 31 December 2018	16,208	23,540	23,224	1,098	63	64,133
Accumulated Amortisation						
As at 1 July 2017	–	–	–	274	–	274
Amortisation for the period	–	–	–	157		157
Exchange differences on translation of foreign operations' financial statements	–	–	–	8	–	8
As at 30 June 2018	–	–	–	439	–	439
Amortisation for the period	–	–	–	159	–	159
Exchange differences on translation of foreign operations' financial statements	–	–	–	10	–	10
As at 31 December 2018	–	–	–	608	–	608

NOTE 10: GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Accumulated Impairment						
As at 1 July 2017	–	603	–	–	–	603
Impairment for the year	–	–	–	–	–	–
As at 30 June 2018	–	603	–	–	–	603
Impairment for the period	–	–	–	–	–	–
As at 30 June 2018	–	603	–	–	–	603
As at 30 June 2018	33,304	8,909	–	638	–	42,851
As at 31 December 2018	16,208	22,937	23,224	490	63	62,922

Acquisitions previously provisionally accounted

Vodien Group

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

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

The fair values of identifiable assets and liabilities acquired in the business combination were previously provisionally accounted for in accordance with AASB 3. Dreamscape completed a comprehensive analysis of the assets and liabilities acquired, as well as a purchase price allocation, which produced the fair values reported below.

	$'000
Net assets acquired	
Cash and cash equivalents	730
Trade Names[2]	23,224
Trade and other receivables	311
Prepayments and other current assets	8
Property and equipment	1,083
Other Intangible assets	40
Other non-current assets	34
Trade and other payables	(395)
Deferred revenue	(2,905)
Income tax payable	(248)
Deferred tax liabilities	(4,058)
Fair value of net assets acquired	17,824
Consideration:	
Cash	18,456
Shares issued at fair value – 42.5 million shares at 23.5 cents[1]	9,987
	28,443
Goodwill recognised from the acquisition	10,619

[1] The Share Sale and Purchase Agreement for the Vodien acquisition deemed the shares to be issued at 25 cents per share, however under AASB2, the shares issued are required to be measured at the date the transaction was completed (31 July 2018) at which date the shares had a market price of 23.5 cents.

[2] Accounting policy on Marketing Related Intangibles (Trade Names)

Marketing related intangibles represent trade names of acquisitions. They have been assessed as having indefinite useful lives as they are expected to contribute to future economic benefits indefinitely as Dreamscape continues to sell its products under these brand names indefinitely and therefore invests in these brands through its marketing activities.

NOTE 10: GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

The provisional amounts previously disclosed were amended to reflect the final allocations, which comprised attributing a value of $23.2 million to Trade Names (based on independent valuation) and the corresponding deferred tax liability of $3.9 million.

Quadra Hosting

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

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

The fair values of identifiable assets and liabilities acquired in the business combination were previously provisionally accounted for in accordance with AASB 3. Dreamscape completed a comprehensive analysis of the assets and liabilities acquired, as well as a purchase price allocation, which produced the fair values reported below.

	$'000
Net assets acquired	
Customer contracts	-
Systems	-
Brand assets	-
Deferred revenue	(308)
Fair value of net assets acquired	(308)
Consideration paid - cash	2,500
Goodwill recognised from the acquisition	2,808

The provisional amounts previously disclosed were amended to reflect the final allocations, which comprised allocating the excess consideration to goodwill.

Whois

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

The fair values of identifiable assets and liabilities acquired in the business combination were previously provisionally accounted for in accordance with AASB 3. Dreamscape completed a comprehensive analysis of the assets and liabilities acquired, as well as a purchase price allocation, which produced the fair values reported below.

	$'000
Net assets acquired	
Customer contracts	-
Systems	-
Brand assets	-
Deferred revenue	(43)
Fair value of net assets acquired	(43)
Consideration paid - cash	301
Goodwill recognised from the acquisition	344

The provisional amounts previously disclosed were amended to reflect the final allocations, which comprised allocating the excess consideration to goodwill.

Glasshat

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

The fair values of identifiable assets and liabilities acquired in the business combination were previously provisionally accounted for in accordance with AASB 3. Dreamscape completed a comprehensive analysis of the assets and liabilities acquired, as well as a purchase price allocation, which produced the fair values reported below.

NOTE 10: GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

	$'000
Net assets acquired	
Customer contracts	-
Systems	-
Brand assets	-
Deferred revenue	-
Fair value of net assets acquired	-
Consideration paid - cash	300
Goodwill recognised from the acquisition	300

The provisional amounts previously disclosed were amended to reflect the final allocations, which comprised allocating the excess consideration to goodwill.

Current period acquisitions

Domain Names Registrar

On 1 July 2018, the Company completed the acquisition of the customers, systems, and brands of the business operating as Domain Name Registrar (DNR) for a total consideration of $8.5 million.

DNR's principal focus is domain registrations (0.9% .au market share) and web hosting, with approximately 80% of their business coming from domain registrations and 20% from hosting.

The consideration of $8.5 million was funded through Dreamscape's existing Cash Advance Facility with Commonwealth Bank of Australia. There was no dilution to shareholders.

For the six months ended 31 December 2018, Domain Names Registrar contributed revenue of $1.1 million and net profit of $0.46 million to the Group's result.

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

	$'000
Net assets acquired	
Customer contracts	-
Systems	-
Brand assets	-
Deferred revenue	(259)
Fair value of net assets acquired	(259)
Consideration paid - cash	8,500
Excess consideration paid over net assets required[1]	8,759

[1] At reporting date, the business combination has been accounted for using provisional amounts in accordance with AASB 3, due to the time required to assess the allocation of the purchase price. The final accounting will be completed when the 30 June 2019 annual financial report is prepared.

PacHosting

On 1 October 2018, Dreamscape Networks Limited completed the acquisition of 100% of Hong Kong based hosting and domain business PacHosting from privately held Pacificnet Hosting Limited for a total consideration of USD $3.0 million.

PacHosting's principal business is website and email hosting for SMB's and domain registration. The acquisition is consistent with Dreamscape's strategy to acquire earnings accretive, low risk assets that will be integrated with the Vodien brand.

The acquisition price was negotiated on deferred terms payable before 30 September 2019. Total consideration will be fully funded by internally generated cash flows and available debt facilities.

For the three months ended 31 December 2018, PacHosting contributed revenue of $0.53 million and net profit of $0.2 million to the Group's result. Had PacHosting been part of the Group for the full period, total revenue from PacHosting would have been approximately $1.05 million and net profit $0.39 million.

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

NOTE 10: GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

	$'000
Net assets acquired	
Customer contracts	-
Systems	-
Brand assets	-
Deferred revenue	(1,199)
Fair value of net assets acquired	(1,199)
Consideration paid – cash paid	2,771
– cash payable	1,380
Excess consideration paid over net assets required[1]	5,350

[1] At reporting date, the business combination has been accounted for using provisional amounts in accordance with AASB 3, due to the time required to assess the allocation of the purchase price. The final accounting will be completed when the 30 June 2019 annual financial report is prepared.

Other acquisitions

In addition to the above described acquisitions, during the six months ended 31 December 2018, Dreamscape also completed the following acquisitions:

Webserver.sg

On 15 August 2018, Dreamscape Networks Limited completed the acquisition of Webserver.sg Pte Ltd. 100% of Webserver's shares were acquired by Dreamscape's subsidiary Vodien Internet Solutions Pte Ltd.

Webserver.sg focuses on delivering domain names, shared hosting and email hosting services that add significant value to end customers.

Total consideration of S$460,000 was fully funded from operating cash flows.

Hosting Australia

On 1 October 2018, Dreamscape Networks Limited completed the acquisition of the customers, systems, and brand assets of the business operating as Hosting Australia. Hosting Australia is a newly established hosting business based in Melbourne, compatible with Dreamscape's business model. Total consideration of $800,000 was funded from internally generated cash flows and available debt facilities.

Servermule

On 10 December 2018, Dreamscape Networks Limited completed the acquisition of Nimbus2 Pty Ltd. Nimbus2 operates the hosting business Servermule.

Servermule is a well-established hosting business funded in 2011 and based in Sydney. Servermule is compatible with Dreamscape's business model.

Total consideration of $700,000 was funded from internally generated cash flows and available debt facilities.

For the six months ended 31 December 2018, these acquisitions combined contributed revenue of $143,260 and net profit of $50,160 to the Group's result. Had these acquisitions been part of the Group for the full period, total revenue from these entities would have been approximately $286,000 and net profit $100,320.

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

	$'000
Net assets acquired	
Customer contracts	-
Systems	-
Brand assets	-
Deferred revenue	(30)
Fair value of net assets acquired	(30)
Consideration paid - cash	1,960
Excess consideration paid over net assets required[1]	1,990

NOTE 10: GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

[1] At reporting date, the business combination has been accounted for using provisional amounts in accordance with AASB 3, due to the time required to assess the allocation of the purchase price. The final accounting will be completed when the 30 June 2019 annual financial report is prepared.

	31 December 2018 $'000	31 December 2017 $'000
Total cash flows from business considerations		
Vodien group:		
Cash paid as considerations	**-**	18,456
Prior period deposits / prepayments	**-**	(5,563)
Net cash acquired	**-**	(730)
	-	12,163
Enetica group:		
Cash paid as considerations	**-**	4,427
Net cash acquired	**-**	(434)
	-	3,993
Cash paid for other acquisitions:		
Domain Names Registrar	**8,500**	-
PacHosting	**2,770**	-
Webserver.sg	**482**	-
Hosting Australia	**800**	-
Servermule	**700**	-
Total cash outflow	**13,253**	16,156

NOTE 11: FINANCIAL INSTRUMENTS

The categories of financial instruments are as follows:

	31 December 2018 $'000	30 June 2018 $'000
Financial assets		
Cash and cash equivalents	**5,066**	5,627
Loans and receivables	**2,728**	2,343
	7,794	7,970
Financial liabilities		
Other financial liabilities	**35,411**	21,185

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting period.

The fair values of financial assets and liabilities approximate their carrying values. Refer to Note 5 for details of the related party loan payable and the cash advance facility with the Commonwealth Bank of Australia.

NOTE 13: CONTINGENT LIABILITIES

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

NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE

The Company has evaluated events from 31 December 2018 through to the date the financial statements were issued. There were no subsequent events which require disclosure.

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 2018 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.

Mark Evans
Director

21 February 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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

Report on the Condensed Half-Year Financial Report

Conclusion

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 2018, 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.

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 2018 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*.

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's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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HLB MANN JUDD
ADVISORY AND ACCOUNTING

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*.

HLB Mann Judd

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HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
21 February 2019