DREAMSCAPE NETWORKS LIMITED

ABN 98 612 069 842

APPENDIX 4E

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

I. Details of the Reporting Periods

This report covers the financial year ended 30 June 2018. Corresponding comparative information covers the financial year ended 30 June 2017.

II. Results for Announcement to the Market

		Note		%	30 June 2018 $'000	30 June 2017 (Restated) $'000
(i)	Revenue	1,3	Up by	32%	61,565	46,696
(ii)	Profit for the year before forgiveness of advances to related parties		Down by	14%	2,730	3,189
	Less: Forgiveness of advances to related parties	2			-	(16,050)
	Net profit (loss) for the year attributable to members (NPAT)	1,2			2,730	(12,861)
(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: The Company acquired a number of businesses which contributed to the revenue and net profit for the year ended June 2018 Refer to Note 9.

Note 2: Due to the large one-off item of expense relating to the forgiveness of advances to related parties upon the acquisition of Pandora Enterprise Holdings Ltd, the % movement in net profit/loss is not considered to be relevant.

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

Highlights for the fiscal year

- Successful completion of strategic acquisition Vodien Internet Solutions Group to access the South East Asia markets;
- Successful completion of four domestic bolt on acquisitions predominantly in the Hosting Pillar;
- Bookings for the year increased by 23% to $65.2 million, mainly due to a significant increase of 45% in the higher margin Hosting Pillar;
- Revenue for the year up by 32% to $61.6 million;
- Adjusted Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA) of $10.3 million;
- Successful integration of data centres, billing systems, customer service and administration completed mainly during the financial year, with remaining integration related activities performed in first quarter 2019;
- Restructure of global HQ to Singapore and the closure of Perth and Dubai offices;
- Premium customer care service satisfaction maintained at 92%+ during the financial year;
- Soft launch of Sitebeat, an innovative next generation technology website builder. Subsequent to year end Sitebeat.com was officially launched; and
- Strategic partnership with PayPal in Australia and Asia.

During the financial year, the Group continued to promote existing and new products in the markets where it operates, whilst advancing its long-term targeted global expansion strategy in South East Asia, the world's fastest growing internet space in the world.

The Group reported a net profit for the year ended 30 June 2018 of $2.73 million. The Cash and Cash Equivalents as at 30 June 2018 was $5.63 million.

Dreamscape Networks' result reflects a period of substantial transition. Importantly, the Group remained profitable and is generating positive net operating cash flows through out this period of transition. Dreamscape Networks is committed to its South East Asia growth strategy to drive long-term growth and shareholder value.

Acquisition funding facility

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

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

Acquired businesses and integrations

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

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

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

Corporate Relocation to Singapore

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

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

Board and Management

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

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

New Technology Solutions (Products)

Sitebeat

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

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

Glasshat

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

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

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

	30-Jun-18	30-Jun-17 (Restated)
	$'000	$'000
Statutory NPAT	2,730	(12,861)
Adjustments:		
Interest income – net	509	(9)
Depreciation and amortisation	2,104	1,346
Provision for income tax – net	990	1,038
Statutory EBITDA	6,333	(10,486)

Reconciliation of Statutory EBITDA to Adjusted EBITDA

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

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

Adjusted EBITDA for the financial year ended 30 June 2018 was $10.3 million.

	30-Jun-18	30-Jun-17 (Restated)
	$'000	$'000
Statutory EBITDA	6,333	(10,486)
Add:		
Forgiveness of advances to related parties	-	16,050
Effect of net deferred revenue	2,109	3,206
Share-based compensation	602	1,044
Unrealized foreign exchange losses – net	516	440
Acquisition related costs	529	275
Restructure related costs	170	-
Data centre improvement	-	268
Adjusted EBITDA	10,259	10,797

III. Dividends

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

IV. Annual Financial Information

This report includes the following statements:

- Consolidated Statement of Comprehensive Income for the financial year ended 30 June 2018;
- Consolidated Statement of Financial Position as at 30 June 2018;
- Consolidated Statement of Cash Flows for the financial year ended 30 June 2018; and
- Consolidated Statement of Changes in Equity for the financial year ended 30 June 2018.

As at the date of issue of this report, Consolidated Financial Statements for the year ended 30 June 2018 are in the process of being audited.

V. Net Tangible Assets per Security

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

	30-Jun-18	30-Jun-17 (Restated)
Net tangible liabilities per ordinary share (cents per share)	(8.10)	(2.43)

VI. Control Gained over Entities Having Material Effect

Acquisition of Vodien Internet Solutions

On 31 July 2017, the Company successfully completed the acquisition of the Vodien Group, comprising Vodien Internet Solutions Pte Ltd and all related companies and businesses. The acquisition was wholly internally funded through the combination of 42.5 million Dreamscape Networks shares and SGD $20 million cash.

Vodien Group is a leading Singapore-based hosting and domain services enterprise, with emerging operations in Indonesia and Malaysia. Vodien is now number one hosting provider and .sg domain provider in Singapore.

Acquisition of Enetica Group

On 31 October 2017, Dreamscape Networks completed the acquisition of the Enetica Group, comprising Webcity, Enetica, and Host1, for a total consideration of $4.457 million.

Enetica Group is a Sydney-based hosting and domain business. In 2002, Enetica became the first new fully accredited registrar following open tendering of the .au domain market.

Acquisition of Glasshat

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

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

Tony Sparks
Company Secretary
29 August 2018

DREAMSCAPE NETWORKS LIMITED

ABN 98 612 069 842

PRELIMINARY FINAL REPORT
30 JUNE 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	**30-Jun-18**	30-Jun-17 (Restated)
		$'000	$'000
Revenue		**61,565**	46,696
Direct costs		**(25,070)**	(19,703)
Gross profit		**36,495**	26,993
Salaries and employee benefits		**(17,471)**	(11,945)
Marketing and promotions		**(3,688)**	(3,532)
General and administrative expenses		**(8,218)**	(5,547)
Operating profit		**7,118**	5,969
Depreciation and amortisation		**(2,104)**	(1,346)
Finance expenses		**(509)**	-
Other income - net		**123**	87
Foreign exchange losses - net		**(908)**	(483)
Forgiveness of advances to related parties		**-**	(16,050)
Profit (loss) before income tax		**3,720**	(11,823)
Income tax expense		**(990)**	(1,038)
Net profit (loss) for the year		**2,730**	(12,861)
Other comprehensive income, net of income tax			
Item that will not be reclassified to profit or loss			
Re-measurement of defined benefit obligation		**-**	30
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations' financial statements		**(103)**	156
Other comprehensive (loss)/income for the year, net of income tax		**(103)**	186
Total comprehensive income (loss) for the year		**2,627**	(12,675)
Basic earnings (loss) per share (cents per share)	8	**0.72**	(4.28)
Diluted earnings (loss) per share (cents per share)	8	**0.71**	(4.28)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	**30-Jun-18**	30-Jun-17 (Restated)
		$'000	$'000
ASSETS			
Current assets			
Cash and cash equivalents		**5,627**	17,698
Other financial assets		**381**	154
Trade and other receivables		**5,115**	3,398
Prepayments and other deposits		**1,224**	811
Other current assets		**-**	1,908
Total current assets		**12,347**	**23,969**
Non-current assets			
Property and equipment		**8,651**	3,126
Goodwill and other intangible assets	4	**42,851**	3,645
Deferred tax assets		**1,284**	1,163
Other non-current assets		**1,018**	67
Total non-current assets		**53,804**	**8,001**
TOTAL ASSETS		**66,151**	**31,970**
LIABILITIES			
Current liabilities			
Trade and other payables		**4,105**	2,986
Borrowings	5	**313**	-
Accrued expenses		**4,014**	2,800
Other current liabilities		**1,137**	966
Deferred revenue - net		**19,435**	14,509
Income tax payable		**1,123**	992
Total current liabilities		**30,127**	**22,253**
Non-current liabilities			
Borrowings	5	**11,506**	-
Deferred revenue - net		**11,485**	9,900
Deferred tax liabilities		**118**	-
Provision for employees' end of service benefits		**291**	409
Total non-current liabilities		**23,400**	**10,309**
TOTAL LIABILITIES		**53,527**	**32,562**
NET ASSETS (LIABILITIES)		**12,624**	**(592)**
EQUITY			
Issued capital	6	**23,225**	12,920
Share-based payment reserve	7	**1,464**	1,180
Accumulated losses		**(12,227)**	(14,957)
Other reserves		**162**	265
TOTAL EQUITY (DEFICIENCY)		**12,624**	**(592)**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	**30-Jun-18 $'000**	30-Jun-17 $'000
Cash flows from operating activities			
Receipts from customers		**63,286**	50,796
Payments to suppliers and employees		**(54,390)**	(38,497)
Other income received		**183**	87
Income taxes paid		**(1,220)**	(248)
Net cash flows from operating activities		**7,859**	12,138
Cash flows from investing activities			
Purchase of property and equipment		**(6,313)**	(1,650)
Purchase of intangible assets		**(725)**	(13)
Cash acquired on acquisition of Pandora		**-**	60
Business acquisitions, net of cash acquired	9	**(22,912)**	(2,745)
Payment for lease deposits		**(859)**	-
Initial deposit on acquisition of Vodien Group		-	(1,908)
Net cash flows (used in) investing activities		**(30,809)**	(6,256)
Cash flows from financing activities			
Proceeds from the issue of shares		**-**	25,000
Proceeds from loan, net of finance and other charges		**14,718**	-
Repayment of loans		**(3,115)**	-
Payment to vendors		**-**	(10,000)
Payment of acquisition-related costs		**(529)**	**-**
Payment of transaction costs		**-**	(2,735)
Advances to related parties		**-**	(4,850)
Net cash flows from financing activities		**11,074**	7,415
Net (decrease) / increase in cash held		**(11,876)**	13,297
Cash and cash equivalents at the beginning of the year		**17,698**	4,609
Effects of exchange rate fluctuations on cash held		**(195)**	(208)
Cash and cash equivalents at the end of the year		**5,627**	17,698

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Issued capital	Share-based payment reserve	Accumulated losses	Other reserves	Total equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2016 (restated)	10	-	(2,096)	79	(2,007)
Net loss for the year (restated)	-	-	(12,861)	-	(12,861)
Other comprehensive income for the year	-	-	-	186	186
Total comprehensive loss for the year	-	-	(12,861)	186	(12,675)
Shares issued during the year	15,000	-	-	-	15,000
Share issue costs (net of tax effect)	(2,010)	-	-	-	(2,010)
Deemed consideration of reverse acquisition	(80)	-	-	-	(80)
Share-based payments	-	1,180	-	-	1,180
Balance at 30 June 2017 (restated)	**12,920**	**1,180**	**(14,957)**	**265**	**(592)**
Balance at 1 July 2017 (restated)	12,920	1,180	(14,957)	265	(592)
Net profit for the year	-	-	2,730	-	2,730
Other comprehensive income for the year	-	-	-	(103)	(103)
Total comprehensive income for the year	-	-	2,730	(103)	2,627
Shares issued during the year	9,987	-	-	-	9,987
Share issued from conversion of performance rights	318	(318)	-	-	-
Share-based payments	-	602	-	-	602
Balance at 30 June 2018	**23,225**	**1,464**	**(12,227)**	**162**	**12,624**

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: ABOUT THIS REPORT

Business acquisitions

Pandora Enterprise Holdings Ltd.

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

Net Logistics Pty. Ltd.

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

Vodien Internet Solutions Group

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

Enetica Group

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

Quadra Hosting

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

Whois

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

Glasshat

On 8 June 2018, Dreamscape Networks Limited completed the acquisition of Glasshat Pty Ltd.

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

(i) Consolidated statement of comprehensive income

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

(ii) Consolidated statement of financial position

- The consolidated statement of financial position as at 30 June 2018 represents the combination of Dreamscape Networks Limited and its subsidiaries[1].
- The comparative information as at 30 June 2017 represents the combination of Dreamscape Networks Limited, Net Logistics Pty. Ltd. and Pandora Enterprise Holdings Ltd. and its subsidiaries[1].

NOTE 1: ABOUT THIS REPORT (continued)

(iii) Consolidated statement of cash flows

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

(iv) Consolidated statement of changes in equity

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

[1]Refer to Note 10: Interest in subsidiaries.

NOTE 2: BASIS OF PREPARATION

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

The consolidated financial statements are presented in Australian Dollars (AUD), which is the functional and presentation currency of the Group. Under the option available to the Company under ASIC Legislative Document 2016/191, the accompanying financial information presented in AUD has been rounded to the nearest thousand dollars unless otherwise stated.

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

Significant accounting judgments and key estimates

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

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

- *Goodwill and other intangible assets*

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

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

NOTE 2: BASIS OF PREPARATION (continued)

Significant accounting judgments and key estimates (continued)

- *Property and equipment*

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

- *Recovery of deferred tax assets*

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

- *Share-based payment reserves*

  The Group measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuator using a Black-Scholes model, using the assumptions detailed in Note 7.

Early adoption of AASB 15 Revenue from Contracts with Customers

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

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

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

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

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

NOTE 2: BASIS OF PREPARATION (continued)

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

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

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

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

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

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

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

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

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

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

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

(i) Domain registration, hosting, and web designing

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

(ii) Services

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(iii) Finance income

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

Going concern

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

- The Company reported a net profit of $2.73 million for the financial year ended 30 June 2018;
- The Group ended the financial year with a cash balance of $5.63 million and net assets of $12.6 million;
- The Group recorded net cash inflows from operating activities for the financial year ended 30 June 2018 of $7.86 million;
- The largest current liability is deferred revenue – net of $19.44m, which represents unearned revenue, net of deferred costs, that have been recognised on a time proportion basis for accounting purposes only and not as an amount due for refund;
- The Company executed a $20 million three-year cash advance facility with Commonwealth Bank of Australia, which remains in good standing. At balance date, the Company has utilised $12.185 million of this facility, with the balance of $7.815 million remaining to be used;
- The Company is listed on the Australian Securities Exchange, having the flexibility to raise capital, if required; and
- The Group is confident that it will maintain its profitability in the coming financial year.

NOTE 3: INCOME TAX

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

As a corporate shareholder, the Company will be assessed on its world-wide income subject to the Australian domestic tax laws.

The majority of the Group's income is derived through its 100% owned subsidiary, Dreamscape Networks FZ-LLC (a company incorporated in the United Arab Emirates) which is a non-resident for Australian tax laws. Dreamscape Networks FZ-LLC receives income, in part, from Australian customers.

Generally, an Australian resident company will not be assessed on dividends received from a wholly-owned foreign subsidiary. A wholly-owned foreign subsidiary would fall within the definition of a Controlled Foreign Company (CFC).

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

NOTE 4: GOODWILL AND OTHER INTANGIBLE ASSETS

	30-Jun-18	30-Jun-17
	$'000	$'000
Balance at beginning of year	**3,645**	1,108
Additions:		
Goodwill from business combinations:		
Net Logistics Pty Ltd	**-**	2,612
Vodien Group (provisionally accounted for)	**29,895**	-
Enetica Group	**5,297**	-
Quadra Hosting (provisionally accounted for)	**2,808**	-
Whois (provisionally accounted for)	**301**	-
Glasshat (provisionally accounted for)	**300**	-
Software (net of amortisation)	**605**	(75)
Balance at end of year	**42,851**	3,645

NOTE 5: BORROWINGS

As announced to the ASX on 28 December 2017, the Company finalised a $20 million three-year cash advance facility with the Commonwealth Bank of Australia (CBA) to assist with the funding of business acquisitions.

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

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

NOTE 6: ISSUED CAPITAL

	30-Jun-18	30-Jun-17
	$'000	$'000
Ordinary shares		
Issued and fully paid	**23,225**	12,920

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

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

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

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

NOTE 7: SHARE-BASED PAYMENT RESERVE

No share based payment arrangements were entered into during the financial year. The following share based payment arrangements relating to options entered into in prior periods were still in place at the end of the financial year:

Directors and Executives

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

The expense for the current financial year concerning the above listed options was $215,277 (2017: $725,455).

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.

Performance rights

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

At 30 June 2018, the directors have resolved that the Tranche 2 vesting condition has been achieved for those employees still with the Company. As a result, a value of $387,500 has been expensed, with a corresponding amount being reflected in share based payments reserve.

For those who ceased their employment with the Company during the financial year, the respective performance rights were cancelled and any amounts previously expensed were reversed.

NOTE 8: EARNINGS (LOSS) PER SHARE

	30-Jun-18	30-Jun-17 (Restated)
Basic earnings (loss) per share (cents per share)	**0.72**	(4.28)
Diluted earnings (loss) per share (cents per share)	**0.71**	(4.28)
Weighted average number of ordinary shares - basic	**380,446,009**	300,438,356
Weighted average number of ordinary shares - diluted	**382,592,675**	300,438,356

Options and performance rights are considered to be potential ordinary shares and are included in the determination of diluted earnings per share to the extent to which they are dilutive. On 30 June 2018, 2,146,666 performance rights are considered to be dilutive.

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

NOTE 9: BUSINESS COMBINATIONS

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.

NOTE 9: BUSINESS COMBINATIONS (continued)

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

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

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

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

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

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

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

Enetica Group

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

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

NOTE 9: BUSINESS COMBINATIONS (continued)

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

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

The net cash outflow from the acquisition is as follows:	$'000
Cash paid as consideration	4,427
Net cash acquired	(434)
Net cash outflow	3,993

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

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

Quadra Hosting

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

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

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

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

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

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

NOTE 9: BUSINESS COMBINATIONS (continued)

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

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

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

Whois

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

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

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

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

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

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

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

Glasshat

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

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

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

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

NOTE 9: BUSINESS COMBINATIONS (continued)

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

	$'000
Net assets acquired	
Customer contracts	-
Systems	-
Brand assets	-
Deferred revenue	-
Fair value of net assets acquired	-
Consideration paid - cash	300
Excess consideration paid over net assets acquired[1]	300

The net cash outflow from the acquisition is as follows:	$'000
Cash paid as consideration	300
Net cash acquired	-
Net cash outflow	300

The aggregate net cash outflows from acquisitions are as follows:	$'000
Cash paid as consideration	24,076
Net cash acquired	(1,164)
Net cash outflows	22,912

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

NOTE 10: INTERESTS IN SUBSIDIARIES

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

Name of subsidiary	Registration and operation	Beneficial interest	% Equity Interest		Cost of Investment $'000	
			2018	2017	2018	2017
Pandora Enterprise Holdings Ltd	British Virgin Islands	100%	100%	100%	10,234	10,234
Crazy Domains FZ-LLC	United Arab Emirates	100%	100%	100%	13	13
Dreamscape Networks FZ-LLC	United Arab Emirates	100%	100%	100%	13	13
Dreamscape Networks (Australia) Pty Ltd.	Australia	100%	100%	100%	–	–
Web Address Registration Pty Ltd.	Australia	100%	100%	100%	1,000	1,000
Dreamscape Networks Europe Limited[1]	Cyprus	100%	100%	–	7	7
Dreamscape Networks Inc.	Philippines	100%	100%	57%	2	2
Dreamscape Networks Pte. Ltd.	Singapore	100%	100%	100%	1	1
Dreamscape Networks (Thailand) Co. Ltd.[2]	Thailand	N/A	100%	N/A	194	194
Dreamscape Networks LLC	Ukraine	100%	100%	100%	5	5
Dreamscape Networks, Inc. [1]	United States of America	100%	100%	100%	2	2
Net Logistics Pty Ltd.	Australia	100%	100%	100%	2,853	2,853
Dreamscape Networks International Pte. Ltd.	Singapore	100%	100%	–	–	–
Glasshat Pty Ltd	Australia	100%	100%	–	300	
Enetica Pty. Ltd	Australia	100%	100%	–	1,000	–
Webcity Australia Pty Ltd	Australia	100%	100%	–	457	–
Vodien Internet Solutions Pte. Ltd. [3]	Singapore	100%	100%	–	28,443	–
Webcity International Pte Ltd	Singapore	100%	100%	–	3,000	–
SGDomains.com Pte. Ltd. [3]	Singapore	100%	100%	–	–	–
IT Works Internet Pte. Ltd. [3]	Singapore	100%	100%	–	–	–
Singhost Pte. Ltd. [3]	Singapore	100%	100%	–	–	–
Cloud Hosting Pte. [3] Ltd.	Singapore	100%	100%	–	–	–
Cloud Hosting Sdn Bhd [3]	Malaysia	100%	100%	–	–	–
Quest Rightshoring Services Inc [3]	Singapore	100%	100%	–	–	–
Quest Rightshoring Services Inc [3]	Philippines	100%	100%	–	–	–

[1]Dormant entity

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

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

NOTE 11: CONTINGENT LIABILITIES

Bank guarantees

The Group had contingent liabilities in respect of bank guarantees amounting to $39,190 (2017: $34,979), arising in the ordinary course of business.

NOTE 12: SIGNIFICANT EVENTS AFTER BALANCE DATE

Acquisition of Domain Name Registrar and Loan drawdown

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

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