

# World.Net Services Limited

ABN 77 072 392 673

## Appendix 4E: Preliminary final report For the year ended 30 June 2018 (Previous corresponding period - Year ended 30 June 2017)

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**Appendix 4E**  
**Preliminary final report**  
**For the year ended 30 June 2018**  
**(Previous corresponding period - Year ended 30 June 2017)**

Name of entity: World.Net Services Limited

ABN: 77 072 392 673 Financial year ended: 30 June 2018

**Results for announcement to the market (Item 2)**

**Item 2.1**

Revenue from ordinary activities	up	37%	to	\$418,046
			from	\$305,204

**Item 2.2**

Profit (loss) from ordinary activities	down	5%	to	(\$194,559)
after tax attributable to members			from	(\$204,572)

**Item 2.3**

Net profit (loss) for the period	down	49%	to	(\$194,559)
attributable to members			from	(\$382,230)

**Item 2.4**

**Final and interim dividends:**

No dividends were paid or declared since the start of the financial year and no recommendation for payment of dividends has been made.

**Item 2.5**

**Record date for determining entitlements to dividends:**

Not applicable

**Item 2.6**

**Brief explanation of any figures in 2.1 to 2.4 necessary to enable the figures to be understood:**

The figures in 2.1 to 2.4 should be considered in conjunction with the entire Appendix 4E (Preliminary Final Report).

**Preliminary consolidated statement of profit or loss and other comprehensive income (Item 3)**  
**For the year ended 30 June 2018**

	Notes	Consolidated 2018 \$	2017 \$
<b>Continuing operations</b>			
Revenue	3	374,212	298,156
Cost of sales		(1,937)	(2,113)
<b>Gross profit</b>		<b>372,275</b>	<b>296,043</b>
Other income		43,834	7,048
Employee benefits expense		(390,209)	(386,242)
Depreciation and amortisation expense		(3,877)	(3,707)
Rental expense	4	(15,164)	(13,257)
Professional fees expense		(43,933)	(47,041)
Sales and marketing expenses		(9,038)	(5,121)
General and administrative expenses		(47,201)	(44,029)
Foreign currency translation losses		(90,384)	-
Other expenses		(10,280)	(7,615)
<b>Loss from continuing operations</b>		<b>(193,977)</b>	<b>(203,921)</b>
Finance costs	4	(582)	(651)
<b>Net financing costs</b>		<b>(582)</b>	<b>(651)</b>
<b>Loss before income tax</b>		<b>(194,559)</b>	<b>(204,572)</b>
Income tax expense		-	-
<b>Loss from continuing operations after income tax</b>		<b>(194,559)</b>	<b>(204,572)</b>
<b>Discontinued operations after income tax</b>			
Loss from discontinued operations after income tax	19	-	(177,658)
<b>Loss attributable to members of the parent entity</b>	<b>16</b>	<b>(194,559)</b>	<b>(382,230)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translating foreign controlled entities		(16,681)	92,480
<i>Reclassification adjustments</i>			
Reclassification to gain from discontinued operations after income tax	19	-	192,304
<b>Total comprehensive loss attributable to members of the parent entity</b>		<b>(211,240)</b>	<b>(97,446)</b>
<b>Loss per share</b>		<b>Cents / share</b>	<b>Cents / share</b>
Basic	18	(0.3)	(0.5)
Diluted	18	(0.3)	(0.5)

*The accompanying notes form part of these financial statements.*

**Preliminary consolidated statement of financial position (Item 4)**  
**As at 30 June 2018**

		Consolidated	
	Notes	2018 \$	2017 \$
<b>Current assets</b>			
Cash and cash equivalents	5	20,869	36,142
Trade and other receivables	6	-	2,252
Other current assets	7	5,566	5,983
Total current assets		<u>26,435</u>	<u>44,377</u>
<b>Non-current assets</b>			
Plant and equipment	8	9,879	9,160
Total non-current assets		<u>9,879</u>	<u>9,160</u>
<b>Total assets</b>		<u><b>36,314</b></u>	<u><b>53,537</b></u>
<b>Current liabilities</b>			
Trade and other payables	9	1,374,992	1,282,121
Short-term borrowings	10	1,288,010	1,288,010
Short-term provisions	11	53,298	53,298
Total current liabilities		<u>2,716,300</u>	<u>2,623,429</u>
<b>Non-current liabilities</b>			
Trade and other payables	12	130,000	130,000
Long-term borrowings	13	343,540	242,394
Total non-current liabilities		<u>473,540</u>	<u>372,394</u>
<b>Total liabilities</b>		<u><b>3,189,840</b></u>	<u><b>2,995,823</b></u>
<b>Net liabilities</b>		<u><b>(3,153,526)</b></u>	<u><b>(2,942,286)</b></u>
<b>Equity</b>			
Issued capital	14	8,815,101	8,815,101
Reserves	15	215,678	232,359
Accumulated losses	16	(12,184,305)	(11,989,746)
Total parent entity interest		<u>(3,153,526)</u>	<u>(2,942,286)</u>
<b>Deficiency in equity</b>		<u><b>(3,153,526)</b></u>	<u><b>(2,942,286)</b></u>

*The accompanying notes form part of these financial statements.*

**Preliminary consolidated statement of changes in equity (Item 6)**  
**For the year ended 30 June 2018**

	Share capital (ordinary) \$	Accumulated losses \$	Foreign currency translation reserve \$	Total \$
<b>Balance at 1 July 2016</b>	8,815,101	(11,607,516)	(52,425)	(2,844,840)
Loss attributable to members of parent entity	-	(382,230)	-	(382,230)
<b>Other comprehensive income to be reclassified to profit and loss in subsequent periods</b>				
Adjustments from translation of foreign controlled entities	-	-	92,480	92,480
Transfer from reserves on discontinued operation (Note 19)	-	-	192,304	192,304
<b>Balance at 30 June 2017</b>	<b>8,815,101</b>	<b>(11,989,746)</b>	<b>232,359</b>	<b>(2,942,286)</b>
Loss attributable to members of parent entity	-	(194,559)	-	(194,559)
<b>Other comprehensive income to be reclassified to profit and loss in subsequent periods</b>				
Adjustments from translation of foreign controlled entities	-	-	(16,681)	(16,681)
Transfer from reserves on discontinued operation (Note 19)	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>8,815,101</b>	<b>(12,184,305)</b>	<b>215,678</b>	<b>(3,153,526)</b>

*The accompanying notes form part of these financial statements.*

**Preliminary consolidated statement of cash flows (Item 5)**  
**For the year ended 30 June 2018**

		Consolidated		
	Notes	2018 \$	2017 \$	
<b>Cash flows from operating activities</b>				
Receipts from customers		399,053	323,322	
Payments to suppliers and employees		(493,613)	(450,070)	
Other revenue received		-	183	
Finance costs		(582)	(651)	
<b>Net cash used in operating activities</b>	<b>17</b>	<b>(95,142)</b>	<b>(127,216)</b>	
<b>Cash flows from investing activities</b>				
Purchase of plant and equipment		(3,853)	(7,709)	
<b>Net cash used in investing activities</b>		<b>(3,853)</b>	<b>(7,709)</b>	
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		101,146	76,334	
<b>Net cash provided by financing activities</b>		<b>101,146</b>	<b>76,334</b>	
<b>Net increase (decrease) in cash held</b>		<b>2,151</b>	<b>(58,591)</b>	
Cash and cash equivalents at beginning of financial year		36,142	1,793	
Effect of exchange rate changes on cash and cash equivalents		(17,424)	92,940	
<b>Cash and cash equivalents at end of financial year</b>	<b>5</b>	<b>20,869</b>	<b>36,142</b>	
<b>Reconciliation of liabilities arising from financing activities</b>				
		<b>30-Jun-2017</b>	<b>Cash flows</b>	<b>30-Jun-2018</b>
Unsecured liabilities	<b>13</b>	242,394	101,146	343,540

*The accompanying notes form part of these financial statements.*

## Notes to the preliminary consolidated financial statements (Items 3, 4 and 5)

### 30 June 2018

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#### **Note 1: Accounting policies and basis of preparation**

##### **Basis of preparation**

The Preliminary Final Report has been prepared in accordance with ASX listing rule 4.3A, Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

The Preliminary Final Report is presented in Australian dollars and has been prepared on the basis of historical costs except in accordance with relevant accounting policies where assets and liabilities are stated at their values in accordance with relevant accounting policies. The accounting policies adopted in this report are the same as those disclosed in the annual financial report for the year ended 30 June 2017.

The accounting policies adopted in this report have been consistently applied by each entity in the Consolidated Entity and are consistent with those of the previous year.

Various comparative balances have been reclassified to align with current year presentation. These amendments have no material impact on the Financial Statements.

This report is based on accounts which are in the process of being audited.

##### **Going concern**

The Consolidated Entity recorded an EBITDA loss of \$190,100 and a loss after tax of \$194,559 for the year ended 30 June 2018 (2017: loss after tax was \$382,230). The Consolidated Entity had a deficiency in cash generated from operating activities of \$95,142 (2017: \$127,216), net current liabilities of \$2,689,865 (2017: \$2,579,052) and a deficiency in net assets of \$3,153,526 (2017: \$2,942,286). The Consolidated Entity had cash of \$20,869 as at 30 June 2018.

The Consolidated Entity has economic dependence on one customer, which is a related party. There is a sales and service agreement between the two parties which can be terminated by the customer by giving 30 days written notice if there is a material breach of the agreement, or 90 days written notice without assigning any reason.

These matters give rise to a material uncertainty that may cast significant doubt upon the Consolidated Entity's ability to continue as a going concern. The ongoing operation of the Consolidated Entity is dependent upon it:

- (a) achieving cash flow positive trading operations from its existing business; and
- (b) continued financial support from its current financiers.

Management has budgeted positive cash flows from operations for the period to 30 June 2019, sufficient to fund the costs of operations. The assumptions about budgeted future sales levels, expenditures and resulting cash flows by the Consolidated Entity are based upon the achievement of certain economic, operating and trading assumptions about future events and actions that have not yet occurred, and may not necessarily occur. Whilst the directors believe the assumptions are best estimates based on information presently available and the actions currently being undertaken by management, the occurrence and timing of the future events are not certain.

In the event that the future cash flows do not result in the short term, the directors are confident that they will be able to obtain funding to enable the continuation of operations until sales reach a volume that will ensure continued profitability and positive cash flows. In this event, the Consolidated Entity will be required to rely on the financial support of its major shareholder and its major creditor. The directors have received confirmations from both of these parties, stating that they will continue to support the operations of the business so that it can continue as a going concern.

No adjustments have been made to the financial statements relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

## **Note 2: Segment information**

### **Identification of reportable operating segments**

The Consolidated Entity is organised into two operating segments: Australia and Malaysia.

These operating segments are based on internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The information reported to the CODM is on at least a monthly basis.

### **Types of products and services**

The principal products and services of each of these operating segments are as follows:

- Australia - represents the holding company operations only. No trading income is generated in this segment.
- UK - this is a former segment. World.Net Services (UK) Limited, a wholly owned UK subsidiary of World.Net Services Limited, was dissolved on 9 August 2016.
- Malaysia - develops, provides and sells information technology products and services. It provides services in connection with the implementation, hosting and maintenance and support of its core product Travel.World.Net ('TWN') (an integrated multi-user reservations and distributions system for use by suppliers and buyers of travel and tourism products).

### **Accounting policies**

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, and plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis.

Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes. The accounting policies adopted in the determination of segment information are consistent with those disclosed in Note 1 to the financial statements.

### **Intersegment transfers**

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Consolidated Entity at an arm's length. These transfers are eliminated on consolidation.

### **Intersegment receivables, payables and loans**

Intersegment loans are initially recognised at the consideration received and are eliminated on consolidation.

### **Geographical information**

All revenue attributable to the Malaysia segment are revenues generated from Malaysia-domiciled external customers. Non-current assets of \$9,879 (2017: \$9,160) reside in Malaysia.

### **Sole customer**

Revenue attributable to one customer amounts to \$374,212 (2017: \$298,156), being the total sales revenue for the year, and is reported in the Malaysia segment.



**Notes to the preliminary consolidated financial statements (Items 3, 4 and 5)**  
**30 June 2018**

**Note 2: Segment information (continued)**

2018	Australia \$	Malaysia \$	Intersegment Elim/Unalloc (\$)	Consolidated \$
External sales	-	374,212	-	374,212
Other segments	-	-	-	-
Total sales revenue	-	374,212	-	374,212
Other revenue	-	43,834	-	43,834
Total revenue	-	418,046	-	418,046
Segment result	(157,428)	(37,131)	-	(194,559)
Unallocated revenue less unallocated expenses				-
Loss before income tax expense				(194,559)
Income tax expense				-
Loss after income tax				(194,559)
Loss from extraordinary items after income tax expense				-
Net loss				(194,559)
Segment assets	299,903	38,259	(301,848)	36,314
Unallocated assets				-
Total assets				36,314
Segment liabilities	2,961,257	230,350	(1,767)	3,189,840
Unallocated liabilities				-
Total liabilities				3,189,840
Acquisitions of non-current segment assets	-	3,853	-	3,853
Depreciation and amortisation of segment assets	-	3,877	-	3,877

**Note 2: Segment information (continued)**

2017	Australia \$	UK \$	Malaysia \$	Intersegment Elim/Unalloc (\$)	Consolidated \$
External sales	-	-	298,156	-	298,156
Other segments	-	-	-	-	-
Total sales revenue	-	-	298,156	-	298,156
Other revenue	-	-	7,048	-	7,048
Total revenue	-	-	305,204	-	305,204
Segment result	(8,218)	28,661	(71,716)	(153,299)	(204,572)
Unallocated revenue less unallocated expenses					-
Loss before income tax expense					(204,572)
Income tax expense					-
Loss after income tax					(204,572)
Loss from extraordinary items after income tax expense					-
Net loss					(204,572)
Segment assets	602,738	-	341,148	(890,349)	53,537
Unallocated assets					-
Total assets					53,537
Segment liabilities	3,106,663	-	777,281	(888,121)	2,995,823
Unallocated liabilities					-
Total liabilities					2,995,823
Acquisitions of non-current segment assets	-	-	7,709	-	7,709
Depreciation and amortisation of segment assets	-	-	3,707	-	3,707

**Notes to the preliminary consolidated financial statements (Items 3, 4 and 5)**  
**30 June 2018**

	Notes	Consolidated 2018 \$	2017 \$
<b>Note 3: Revenue from continuing operations</b>			
<b>Revenue</b>			
Services revenue		374,212	298,156
Other income:			
Bad debt recovered		-	6,865
Sundry income		43,834	183
<b>Note 4: Expenses</b>			
Finance costs:			
Other persons		582	651
Foreign currency translation losses		90,384	-
Bad and doubtful debts:			
Trade receivables		3,090	-
Rental expense on operating leases:			
Minimum lease payments		15,164	13,257
Superannuation, pension, and EPF contributions		23,897	22,951
<b>Note 5: Current assets - Cash and cash equivalents</b>			
Cash at bank and in hand		20,869	36,142
<b>Note 6: Current assets - Trade and other receivables</b>			
Trade receivables		-	3,112
Less: Provision for impairment of receivables		-	(860)
Total trade and other receivables		-	2,252
<b>Note 7: Current assets - Other current assets</b>			
Prepayments		104	4,948
Deposits		5,462	1,035
Total other current assets		5,566	5,983
<b>Note 8: Non-current assets - Plant and equipment</b>			
<b>Plant and equipment</b>			
At cost		71,345	61,144
Less: Accumulated depreciation		(61,466)	(51,984)
Total plant and equipment		9,879	9,160
<b>Note 9: Current liabilities - Trade and other payables</b>			
<b>Unsecured liabilities</b>			
Trade payables - related parties		1,083,419	955,110
Trade payables - other		133,973	59,566
Sundry payables and accrued expenses		157,600	267,445
Total trade and other payables		1,374,992	1,282,121

**Notes to the preliminary consolidated financial statements (Items 3, 4 and 5)**  
**30 June 2018**

	Notes	Consolidated 2018 \$	2017 \$
<b>Note 10: Current liabilities - Short-term borrowings</b>			
<b>Unsecured liabilities</b>			
Unsecured loans - interest free		1,288,010	1,288,010
<b>Note 11: Current liabilities - Short-term provisions</b>			
Employee entitlements		53,298	53,298
<b>Note 12: Non-current liabilities - Trade and other payables</b>			
<b>Unsecured liabilities</b>			
Directors' fees payable		130,000	130,000
<b>Note 13: Non-current liabilities - Long-term borrowings</b>			
<b>Unsecured liabilities</b>			
Unsecured loans from directors - interest free		343,540	242,394
<b>Note 14: Issued capital</b>			
70,078,300 ordinary shares, fully paid		8,815,101	8,815,101
<b>Note 15: Reserves</b>			
Foreign currency translation reserve		215,678	232,359
<b>Note 16: Accumulated losses</b>			
Accumulated losses at the beginning of the financial year		(11,989,746)	(11,607,516)
Loss attributable to members of the parent entity		(194,559)	(382,230)
Accumulated losses at the end of the financial year		(12,184,305)	(11,989,746)
<b>Note 17: Reconciliation of net cash used in operating activities with loss after income tax</b>			
Loss after income tax		(194,559)	(382,230)
Cash flows excluded from loss attributable to operating activities:			
Non-cash flows in loss			
Amortisation and depreciation		3,877	3,707
Exchange differences on translation of discontinued operations		-	192,304
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:			
Decrease (increase) in trade and term receivables		2,252	(1,597)
Decrease in deposits and prepayments		417	7,572
Increase in trade payables and accruals		92,871	83,028
Decrease in provisions		-	(30,000)
Net cash used in operating activities		(95,142)	(127,216)
<b>Non-cash financing and investing activities</b>			
During the year, no non-cash financing and investing activities took place.			

**Notes to the preliminary consolidated financial statements (Items 3, 4 and 5)**  
**30 June 2018**

	Notes	Consolidated 2018 \$	2017 \$
<b>Note 18: Earnings per share</b>			
		<b>Cents</b>	<b>Cents</b>
Basic Loss Per Share		(0.3)	(0.5)
Diluted Loss Per Share		(0.3)	(0.5)
		<b>\$</b>	<b>\$</b>
<b>Reconciliation of loss</b>			
Loss after tax		(194,559)	(382,230)
Loss used in the calculation of basic Loss Per Share		(194,559)	(382,230)
Loss used in the calculation of diluted Loss Per Share		(194,559)	(382,230)
		<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares outstanding during the year used in calculating basic Loss Per Share		70,078,300	70,078,300
Weighted average number of ordinary shares outstanding during the year used in calculating diluted Loss Per Share		70,078,300	70,078,300

**Note 19: Discontinued operations**

World.Net Services (UK) Limited, a wholly owned subsidiary of World.Net Services Limited, was voluntarily dissolved on 9 August 2016. The operations of World.Net Services (UK) Limited have been deemed to have discontinued on 9 August 2016. Financial information relating to the discontinued operation is set out below.

Gain on disposal of assets and liabilities on loss of control of subsidiary before income tax	-	14,646
Exchange differences on translation of discontinued operations	-	(192,304)
Income tax expense	-	-
Loss on disposal of assets and liabilities on loss of control of subsidiary after income tax	-	(177,658)
Total loss after tax attributable to the discontinued operation	-	(177,658)

There were no cash flows associated with the discontinued operation.

#### Details of individual and total dividends and dividend payments (Item 7)

No dividends were paid or declared since the start of the financial year and no recommendation for payment of dividends has been made.

#### Details of dividend reinvestment plans in operation (Item 8)

No dividend reinvestment plans were in operation at the date of this report.

#### Net tangible assets per security (Item 9)

	2018 Cents	2017 Cents
Net tangible asset backing deficiency per ordinary security	(4.5)	(4.2)

#### Details of entities over which control has been gained or lost (Item 10)

World.Net Services (UK) Limited, a wholly owned subsidiary of World.Net Services Limited, was voluntarily dissolved on 9 August 2016. Refer to Note 19 (Discontinued Operations) to the Preliminary Final Financial Statements for further information.

#### Details of associates and joint venture entities (Item 11)

There were no associates or joint venture entities at the date of this report.

#### Other significant information (Item 12)

All significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position are disclosed in this report.

#### Commentary on the results for the period (Item 14)

##### Earnings per security (Item 14.1)

Refer to Note 18 to the preliminary consolidated financial statements.

##### Returns to shareholders (Item 14.2)

There were no returns to shareholders, including distributions and buy backs, during the year.

##### Significant features of operating performance (Item 14.3)

- Sales were up 26% in comparison with the previous financial year - from \$298,156 to \$374,212.
- Operating expenditure was up 2% in comparison with the previous financial year - from \$505,418 to \$517,762.
- EBITDA improved by \$10,114 in comparison with the previous financial year - from a \$200,214 EBITDA loss to \$190,100 EBITDA loss. \$90,384 of the EBITDA loss was attributable to foreign currency translation losses.

##### The results of segments (Item 14.4)

Refer to Note 2 to the preliminary consolidated financial statements.

## Other disclosure items

### 30 June 2018

#### Discussion of trends in performance (Item 14.5)

The table below summarises the Consolidated Entity's operating performance over the past three years:

	2018	2017	2016
	\$	\$	\$
Sales and fees revenue	374,212	298,156	366,573
Other revenue (excluding interest)	43,834	7,048	-
Total revenue (excluding interest)	418,046	305,204	366,573
Less: Operating expenses	(517,762)	(505,418)	(610,845)
Less: Foreign currency translation losses	(90,384)	-	-
EBITDA	(190,100)	(200,214)	(244,272)
Less: Depreciation, amortisation and impairment losses	(3,877)	(3,707)	(2,592)
EBIT	(193,977)	(203,921)	(246,864)
Less: Net interest expense	(582)	(651)	(767)
Loss before tax	(194,559)	(204,572)	(247,631)
Less: Income tax expense	-	-	-
Loss after tax	(194,559)	(204,572)	(247,631)

This year the Company has continued to focus on a combination of redesigning the PYO Travel front-end User Interface, and exploring back-end machine learning technologies to automate manual, resource intensive travel management tasks. The strategic goal of these projects is to improve the users' online experience, making PYO Travel an indispensable tool for regional travellers, and reduce operating costs through automation.

#### Other factors which have affected results in the period or which are likely to affect results in the future (Item 14.6)

No other factors to report.

#### Audit status (Items 15, 16 and 17)

This report is based on accounts which are in the process of being audited.

The auditors observed that material uncertainty exists that may cast a significant doubt on the Company's ability to continue as a going concern, and expect this to be reflected in their audit report when issued.



Ernst van Oeveren  
Director / Chief Executive Officer

31 August 2018