

**WORLD.NET SERVICES LIMITED
AND CONTROLLED ENTITIES
(ABN: 77 072 392 673)**



W O R L D . N E T

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2019**

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WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
DIRECTORS' REPORT

Your Directors present their report on World.Net Services Limited (the "Company") and its controlled entity, World Net Services Sdn Bhd (together referred to as the "Consolidated Entity"), for the financial year ended 30 June 2019, and the auditors' report thereon.

The names of Directors in office at any time during or since the end of the year are:

Dato' Eng Kwong Gan
Mr Ernst M R van Oeveren
Mr James A Norriss
Mr Swe Cheong Thong
Mr Christopher J Yong

Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

Company secretary

The following person held the position of Company Secretary at the end of the financial year:

Mr Christopher J Yong

Principal activities

The principal activities of the Consolidated Entity during the financial year were the development, provision and sale of information technology products and services.

There was a significant change in the nature of the Consolidated Entity's principal activities during the financial year, as it ceased these activities in March 2019. Refer to "Review of operations" below.

Operating results

The loss of the Consolidated Entity after providing for income tax amounted to \$252,608 (2018: \$194,559).

Dividends paid or recommended

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

Review of operations

- Sales were down 50% in comparison with the previous financial year - from \$374,212 to \$185,969.
- Operating expenditure was down 18% in comparison with the previous financial year - from \$519,702 to \$423,680.
- EBITDA fell by \$56,937 in comparison with the previous financial year - from a \$190,100 EBITDA loss to \$247,037 EBITDA loss. \$21,884 of the EBITDA loss was attributable to foreign currency translation losses.

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

	2019	2018	2017
	\$	\$	\$
Sales and fees revenue	185,969	374,212	298,156
Other revenue (excluding interest)	9,592	43,834	7,048
Total revenue (excluding interest)	195,561	418,046	305,204
Less: Operating expenses	(420,714)	(517,762)	(505,418)
Less: Foreign currency translation losses	(21,884)	(90,384)	-
EBITDA	(247,037)	(190,100)	(200,214)
Less: Depreciation, amortisation and impairment losses	(4,497)	(3,877)	(3,707)
EBIT	(251,534)	(193,977)	(203,921)
Less: Net interest expense	(1,074)	(582)	(651)
Loss before tax	(252,608)	(194,559)	(204,572)
Less: Income tax expense	-	-	-
Loss after tax	(252,608)	(194,559)	(204,572)

In March 2019, PYO Travel Sdn Bhd (PYO) shut down all of its web services and embarked on an internal restructuring program, and consequently World.Net Services Sdn Bhd (a wholly owned subsidiary of World.Net Services Limited) and PYO terminated their Sales and Services Agreement. As a result, World.Net Services Sdn Bhd ceased providing services to PYO, and ceased generating revenue from PYO. The Company has since terminated the services of all of its technical staff, while it explores options to revitalise its operations. World.Net is also considering options to recapitalise the Company.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year other than those referred to in this report, the financial statements and the accompanying notes.

Matters subsequent to the end of the financial year

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

Future developments, prospects and business strategies

Other than matters referred to in this report, the Directors have excluded from this report any information on the likely developments in the operations of the Company and the expected results of those operations in future financial years, as the Directors believe that it would be likely to result in unreasonable prejudice to the Company.

Environmental regulation

The Consolidated Entity's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

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Information on directors

Dato' Eng Kwong Gan, non-executive director
Chairman

Dato' Gan was appointed as a Director of the Company on 28 June 1998.

Dato' Gan has been a Director of Reliance Pacific Berhad ("RPB") and its related bodies corporate (Reliance Group) and their predecessors since 1974 and was the Chairman of RPB, a publicly listed company in Malaysia, from 12 August 1993 to 3 March 2015.

Dato' Gan has had more than 30 years of experience in the travel and tourism industry, through the Reliance Group's network of international offices, hotel investments and companies, both in Malaysia and overseas. In addition to his travel and tourism interests, Dato' Gan has a keen interest in technology. He was responsible in the mid 1980s for the development of an on-line network for the Reliance Group using SITA (the airlines' worldwide telecommunications network). The Reliance Group was one of the first non-airline organisations to use the SITA network.

Dato' Gan held (direct or indirect) interests in 16,133,320 ordinary shares in World.Net Services Limited at the date of this report.

Ernst M R van Oeveren, executive director
Chief Executive Officer
B.Math, B.ComSci (Hon)

Ernst was appointed as a Director of the Company on 30 June 1998.

Ernst is one of Australia's Internet pioneers, having been involved in the Internet and related technologies for over 20 years. In 1986, as a Graduate Research Assistant, Ernst was responsible for the software development of a university research network. The project implemented many of the techniques and protocols which have since become standards in the Internet.

In 1989, Ernst was appointed Information Systems Manager for the Menzies School of Health Research, a Northern Territory medical research centre. Ernst was responsible for restructuring and managing the centre's computing facilities, and in 1990 established a permanent connection to AARNet, the academic forerunner to the modern Internet.

In 1994, Ernst became involved with the commercial Internet on a full-time basis and was responsible for implementing and managing a national and international Internet backbone throughout Australia, Asia, the Pacific and the USA. As a software designer, he has also pioneered a number of techniques which have become common standards used on many modern sites today.

Ernst held (direct or indirect) interests in 8,633,320 ordinary shares in World.Net Services Limited at the date of this report.

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James A Norriss, non-executive director

Jamie was appointed as a Director of the Company on 30 June 1998.

Jamie has over 35 years' experience in technology development in the international travel and tourism industry. He has been involved in the development of automation projects, initially with BOAC (later British Airways), and on various industry automation projects under the auspices of IATA (International Airline Transport Association): notably the introduction of the airline's worldwide baggage tracing system in 1980. He was Chairman of the Passenger and Baggage Sub-Committee and Airport Handling Sub-Committee which developed the emerging automation standards at that time.

During the 1980s, Jamie was employed in the development and marketing of travel and tourism related services for SITA (the airlines' worldwide telecommunications network). These included the GABRIEL Reservations System, Loadstar Departure Control System, SAHARA (the airline hotel reservations system) and projects to develop a car-rental system and a worldwide tourist information database.

Jamie held (direct or indirect) interests in 4,105,640 ordinary shares in World.Net Services Limited at the date of this report.

Swe Cheong Thong, non-executive director
B.Com, CA, MIA, MACPA

Swe Cheong was appointed as a Director of the Company on 10 March 2000.

Swe Cheong was the Chief Financial Officer of Reliance Pacific Berhad and its related bodies corporate (Reliance Group). He has extensive experience in corporate finance and planning, including company restructuring, capital market exercises, offshore financing, group tax planning, company acquisition, joint ventures and investments in resorts and hotels.

Swe Cheong also has substantial experience in strategic planning and management of the Reliance Group's tourism companies worldwide. Prior to joining the Reliance Group, Swe Cheong was with Ernst & Young and also Azman Wong Salleh & Co which, at the time, was a leading Malaysian public accounting firm. He later joined public accounting firm Razak & Co, managing it for five years.

Swe Cheong held (direct or indirect) interests in 13,968,320 ordinary shares in World.Net Services Limited at the date of this report.

Christopher J Yong, non-executive director
BCom, MCom, CA, RTA, JP

Chris was appointed as a Director of the Company on 27 November 2008.

Chris is the Managing Director of Reset Group Pty Ltd, a provider of process outsourcing, business consultancy, and corporate advisory services to SMEs and the middle-market.

He has almost 30 years of experience in accounting and finance: almost 20 years in the corporate sector with listed companies, as a Director, CFO and/or Company Secretary, and through his involvement in various stock exchange listings; and more than 10 years in public practice, specialising in business advisory and taxation.

Chris has extensive experience in capital raising, mergers & acquisitions, joint ventures, corporate restructuring, and international business. He holds a Bachelor of Commerce and a Master of Commerce degree, is a member of Chartered Accountants Australia and New Zealand (CAANZ), a Registered Tax Agent, and a Justice of the Peace.

Chris held (direct or indirect) interests in 55,000 ordinary shares in World.Net Services Limited at the date of this report.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673) DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for Key Management Personnel of World.Net Services Limited, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Remuneration policy

The remuneration policy of World.Net Services Limited has been designed to align Key Management Personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance areas affecting the Consolidated Entity's financial results. The Board of World.Net Services Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Executives and Directors to run and manage the Consolidated Entity, as well as create goal congruence between Directors, Executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Key Management Personnel of the Consolidated Entity is as follows:

The remuneration policy, setting the terms and conditions for the Executive Directors and other senior Executives, was developed and approved by the Board. All Executives receive a base salary (which is based on factors such as length of service and experience), superannuation (or equivalent benefits), and from time to time, fringe benefits, options and performance incentives. The Board reviews Executive packages annually by reference to the Consolidated Entity's performance, Executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of Executives is measured against criteria agreed with each Executive and is based predominantly on the forecast growth of the Consolidated Entity's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long term growth in shareholder wealth. Executives are also entitled to participate in the employee share and share option arrangements.

The Australian-based Executive Directors and Executives receive a superannuation guarantee contribution required by government legislation, paid at a rate of 9.5% of salary, and do not receive any other retirement benefits. Some individuals, however, may have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Key Management Personnel is valued at the cost to the Company and expensed.

The Board determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-executive Directors are not linked to the performance of the Consolidated Entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are able to participate in the Employee Share Option Plan.

Performance based remuneration

As part of each Executive Director and Executive's remuneration package, there may be a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between Directors/Executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with Directors/Executives to ensure buy-in. The measures are specifically tailored to the areas each Director/Executive is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long term goals.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, World.Net Services Limited bases the assessment on audited figures.

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Company performance, shareholder wealth and key management personnel

The remuneration policy has been tailored to increase goal congruence between shareholders and Key Management Personnel. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to the majority of Directors and Executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

Details of remuneration and shareholdings for the year ended 30 June 2019

The remuneration and shareholdings for Key Management Personnel during the year were as follows (all benefits are short term):

	2019	2019	2019	2018	2018	2018
	Salary and	Other	Total	Salaries and	Other	Total
	fees	benefits	fees	fees	benefits	fees
	\$	\$	\$	\$	\$	\$
Compensation						
Dato' Eng Kwong Gan	-	-	-	-	-	-
Mr Ernst M R van Oeveren	81,933	-	81,933	129,793	-	129,793
Mr James A Norriss	-	-	-	-	-	-
Mr Swe Cheong Thong	-	-	-	-	-	-
Mr Christopher J Yong	24,000	-	24,000	24,000	-	24,000
	105,933	-	105,933	153,793	-	153,793

	Balance	Received as	Options	Net change	Balance
	1 July 2018	remuneration	exercised	(others)	30 June 2019
Dato' Eng Kwong Gan	16,133,320	-	-	-	16,133,320
Mr Ernst M R van Oeveren	8,633,320	-	-	-	8,633,320
Mr James A Norriss	4,105,640	-	-	-	4,105,640
Mr Swe Cheong Thong	13,968,320	-	-	-	13,968,320
Mr Christopher J Yong	55,000	-	-	-	55,000
	42,895,600	-	-	-	42,895,600

	Balance	Received as	Options	Net change	Balance
	1 July 2017	remuneration	exercised	(others)	30 June 2018
Dato' Eng Kwong Gan	27,333,320	-	-	(11,200,000)	16,133,320
Mr Ernst M R van Oeveren	8,633,320	-	-	-	8,633,320
Mr James A Norriss	4,105,640	-	-	-	4,105,640
Mr Swe Cheong Thong	13,968,320	-	-	-	13,968,320
Mr Christopher J Yong	55,000	-	-	-	55,000
	54,095,600	-	-	(11,200,000)	42,895,600

Options issued as part of remuneration for the year ended 30 June 2019

From time to time, options are issued to Key Management Personnel as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of Key Management Personnel of World.Net Services Limited and its subsidiaries to increase goal congruence between Executives, Directors and shareholders.

No options were granted over unissued shares or interest during or since the end of the financial year by the Company or Consolidated Entity to Directors or Executive Officers as part of their remuneration.

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Employment contracts of directors and senior executives

The employment conditions of the Chief Executive Officer, Ernst van Oeveren, is formalised in a contract of employment. The employment contract stipulates a 12 month resignation notice period. The Company may terminate an employment contract without cause by providing 12 months written notice or making payment in lieu of notice together with any applicable redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

There were no employment contracts in place for any other Directors of the Company. No Directors' Fees were paid or accrued during or since the end of the financial year by the Company or Consolidated Entity.

END OF REMUNERATION REPORT (AUDITED)

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
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Meetings of directors

During the financial year, four meetings of Directors were held. Attendances by each Director during the year were as follows:

Directors' Meetings	
Number eligible to attend	Number attended
Dato' Eng Kwong Gan	4
Mr Ernst M R van Oeveren	4
Mr James A Norriss	4
Mr Swe Cheong Thong	4
Mr Christopher J Yong	4

Indemnifying officers or auditor

During or since the end of the financial year, the Company has not given an indemnity or entered into an agreement to indemnify any Officer or the Auditor of the Company.

Options

At the date of this report, no unissued ordinary shares of World.Net Services Limited were under option.

During the year ended 30 June 2019, no ordinary shares of World.Net Services Limited were issued on the exercise of options granted under the Employee Share Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit services

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2019.

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 9.

Signed in accordance with a resolution of the Board of Directors.



Director
Dato' Eng Kwong Gan

Dated this 18th day of November 2019

To the Board of Directors of World.Net Services Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit partner for the audit of the financial statements of World.Net Services Limited for the financial year ended 30 June 2019, 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 audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Nexia Sydney Partnership



Stephen Fisher

Partner

Date: 18 November 2019

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WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)

CORPORATE GOVERNANCE STATEMENT

World.Net Services Limited and the Board are strongly committed to achieving high standards of corporate governance.

A description of the Company's main corporate governance practices is set out below, and on the Company's website (www.world.net). All of these practices, unless otherwise stated, comply with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations", and were in place for the entire financial year.

The Board aims to ensure that any departures from the guidelines do not have a negative impact on the best interests of the shareholders.

Foundations for management and oversight

The Board monitors the business affairs of the Company on behalf of its shareholders, by whom they are elected, and to whom they are accountable. In recognition of this responsibility, the Board has formally adopted a corporate governance policy. This policy is designed to encourage Directors to focus their attention on accountability, risk management, and ethical conduct.

The Company has a policy of undertaking appropriate checks before appointing a person, or putting forward to security holders, a candidate for election as a Director, and to provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The Board seeks to ensure that it has an appropriate level and combination of expertise and experience. The skills, experience and expertise relevant to the position of each Director in office are detailed in the Directors' Report. Where necessary, a Director, with the approval of the Chairman, may seek independent professional advice from external advisers at the Company's expense.

Issues of substance affecting the Company are to be considered by the full Board, with advice from external professional advisers as required. The Directors must declare any conflict of interest when it arises, and those Directors with a conflict will excuse themselves from the meeting, and will not vote on any resolutions pertaining to a matter where there is a material personal interest.

The Board's functions are set out in the Company's Board Charter. Key matters reserved to the Board include:

- oversight of the Company, including its control and accountability systems;
- appointing and removing the Chief Executive Officer (or equivalent);
- ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer (or equivalent) and the Company Secretary;
- input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

The Board has proposed to undertake an annual self-assessment of its collective performance. The assessment will include a review of the Board Charter, Board composition, committee structure, and functions of the Board. As part of the performance evaluation, the Board proposes to review the independence of Directors and ensure that the Directors collectively have the appropriate mix of skills required to maximise the Board's effectiveness, and ensure that the Company is able to meet its goals and objectives.

The Company does not currently have a written agreement with every director and senior executive setting out the terms of their appointment, due to resource constraints. However, the Company intends to execute such agreements as soon as practicable (Recommendation 1.3).

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CORPORATE GOVERNANCE STATEMENT

Structure of the board

Under the Company's Constitution, the maximum number of Directors is ten, or such other number approved by the shareholders. The minimum number is four. At each Annual General Meeting, any Director who has held office for three years, and any Director who is appointed by the Directors in the preceding year, must retire and is then eligible for re-election. The quorum for a Directors' meeting is four. The Chairman has a casting vote at Directors' meetings unless there are only two Directors present.

The Board of World.Net Services Limited presently comprises the following Directors:

Dato' Eng Kwong Gan	Non-executive Chairman
Mr Ernst M R van Oeveren	Chief Executive Officer
Mr James A Norriss	Non-executive Director
Mr Swe Cheong Thong	Non-executive Director
Mr Christopher J Yong	Non-executive Director

The majority of the Board are Non-executive Directors.

Each Director has the skills and experience necessary for the proper supervision and leadership of the Company, and brings together a broad range of qualifications. Details of the Directors, their experience, and their special responsibilities, are set out in the Directors' Report.

The Board has delegated responsibility for day-to-day management of the Company to the Chief Executive Officer (CEO). However, the CEO must consult the Board on matters that are sensitive, extraordinary, or of a highly strategic nature.

The Board has adopted specific principles in relation to Directors' independence. These state that to be deemed independent, a Director must be a Non-executive and:

- is not a substantial shareholder of the Company or an Officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years, has not been employed in an executive capacity by the Company, or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years, has not been a principal of a material professional adviser or a material consultant to the Company, or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company, or other group member, or an Officer of, or otherwise associated directly or indirectly with, a material supplier or customer;
- has no material contractual relationship with the Company, or another group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest, and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or group is considered material for these purposes.

The Company has a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

At present, having regard to the size of the Company, and the size and composition of the Board, the Board does not consider it necessary for a majority of the Directors to be independent. Furthermore, the current Directors have the appropriate mix of skills required to maximise the effectiveness of the Board, and ensure that the Company is able to meet its goals and objectives. The Board will make an assessment each year as to whether there would be a material net benefit to the Company in appointing more Directors, and if so, future appointments to the Board will be made, having regard to balancing the Board towards a greater number of independent Directors (Recommendation 2.4).

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The Board believes that given his experience, expertise and knowledge of the industry and the Company, Dato' Eng Kwong Gan has the most suitable attributes and the leadership skills necessary to perform the role of Chairman of the Board. At present, the Board does not believe that there would be any material net benefit to the Company in appointing an independent Chairperson (Recommendation 2.5).

At present, having regard to the size of the Company, and the size and composition of the Board, the Board does not consider it necessary for a nomination committee to be established. The typical areas of responsibility of a nomination committee are currently addressed and considered by the full Board. The Board will make an assessment each year as to whether changes in circumstances justify the establishment of a nomination committee (Recommendation 2.1).

Ethical and responsible decision making

The Company aims to maintain the highest standard of ethical conduct. In maintaining its ethical standards, the Company encourages its personnel to act with the utmost integrity, objectivity, and in compliance with the letter and the spirit of the law and company policies.

The Company has a policy that Directors and senior Executives are restricted from trading in the Company's shares outside of an approved trading window. The current approved trading window is a period of six weeks after the Company announces to the ASX its half year or full year trading results. Clearance may be sought from the Board for trading outside of the approved trading window.

The Company also has a policy which restricts Directors, officers, and employees from acting on material information until it has been released to the market.

The Company has not yet established a diversity policy, however, the Company is committed to promoting an environment that promotes diversity, and recognises the corporate benefits which arise from employee and Board diversity. Whilst there is no formal diversity policy in place, the Company is committed to promoting equality and the treatment of all individuals with respect, regardless of religion, race, ethnicity, language, gender, sexual orientation, disability, age or any other area of potential difference. The Company intends to establish a diversity policy as soon as practicable (Recommendation 1.5).

The Company's female representation is as follows:

▪ Proportion of female employees in the whole Company:	50%
▪ Proportion of female employees in Senior Executive positions:	Nil
▪ Proportion of female employees on the Board:	Nil

Integrity in financial reporting

World.Net Services Limited formed an Audit Committee in the 2000 financial year, prior to listing on the Australian Securities Exchange (ASX).

The committee's responsibilities were to assist the Board in ensuring the maintenance of satisfactory internal controls throughout the Company, and the fulfilment of its responsibilities under the Corporations Law, the Listing Rules and other statutory obligations. The Audit Committee was to review the performance of the external auditors and meet with them to review the audit plans, reports emanating out of the audit, material changes in accounting policy, and other matters of relevance. It was to investigate any matter within its terms of reference, and retain external advisers to assist in the conduct of any investigation where necessary.

The Audit Committee has been inactive since the commencement of the 2002 financial year, from which time the full Board took over the committee's typical areas of responsibility. At that time, the Board was of the opinion that given the size of the Company, and the size and composition of the Board, there was no overall benefit to the Company in retaining an Audit Committee. The Board will make an assessment each year as to whether, due to changes in circumstances, there would be a material net benefit to the Company in reintroducing the Audit Committee (Recommendation 4.1).

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CORPORATE GOVERNANCE STATEMENT

Timely and balanced disclosure and rights of shareholders

The Company is committed to comply with its continuous disclosure obligations, and seeks to provide relevant and timely information to shareholders and investors through ASX releases, written reports, and the Company's website.

The Company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company, and its controlled entities, that could reasonably be expected to have a material effect on the price of the Company's securities. Such policies and procedures include mechanisms for ensuring that relevant matters are communicated, and that the information is released in a timely and balanced manner.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media, and the public. All information disclosed to the ASX is posted on the Company's website after it has been disclosed to the ASX.

The Company aims to keep shareholders informed of the Company's performance and major developments. All shareholders receive a copy of the Company's Annual Report and are encouraged to visit the Company's website (www.world.net), where the most recent company announcements, media briefings, press releases and financial reports are available.

The Company gives security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Recognition and management of risk

The Board is responsible for establishing and implementing a sound system of risk oversight and management and internal control, and has designed a system to identify, assess, monitor and manage material risk throughout the group. Although the Company does not have a formally documented risk management system, it is generally compliant with Principle 7.

The Chief Executive Officer and the Chief Financial Officer have made the following representations to the Board:

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition of the Company, and are in accordance with the relevant accounting standards; and
- The above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that compliance and control is operating efficiently and effectively in all material respects.

The Company's Auditor is invited to attend Annual General Meetings, and is available to answer questions from the members of the Company about the conduct of the audit, and the preparation and content of the auditor's report.

The Company will disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. The Board is not aware of any material exposure to economic, environmental or social sustainability risks to which the Company may be subject.

At present, having regard to the size of the Company, and the size and composition of the Board, the Board does not consider it necessary for a risk management committee to be established. The typical areas of responsibility of a risk management committee are currently addressed and considered by the full Board. The Board will make an assessment each year as to whether changes in circumstances justify the establishment of a risk management committee (Recommendation 7.1).

The Company does not have an internal audit function, primarily due to resource constraints, however, it employs processes for evaluating and continually improving the effectiveness of its risk management and internal control processes. The Board and Management reviews the Company's risk management and internal control processes after each annual audit, taking into consideration best practice and recommendation by the Company's external auditors (Recommendation 7.3).

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
CORPORATE GOVERNANCE STATEMENT

Remunerate fairly and responsibly

The Board of Directors is responsible for determining and reviewing remuneration packages for the Directors and the Executive team. The Board assesses the appropriateness of the nature and amount of emoluments on a periodic basis, having regard to relevant employment market conditions and the Company's financial and operational performance, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

Executives are entitled to participate in the employee share and share option plans. The payment of bonuses, share options and other incentive payments are put to the Board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes which must be justified by reference to measurable performance criteria. Remuneration and other terms of employment for the Chief Executive Officer are formalised in a service agreement.

Information pertaining to the Company's remuneration policies is detailed in the Directors' Report.

At present, having regard to the size of the Company, and the size and composition of the Board, the Board does not consider it necessary for a remuneration committee to be established. The typical areas of responsibility of a remuneration committee are currently addressed and considered by the full Board. The Board will make an assessment each year as to whether changes in circumstances justify the establishment of a remuneration committee (Recommendation 8.1).

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated entity	
		2019	2018
	Note	\$	\$
Continuing operations			
Other income	4	9,592	31,094
Employee benefits expense		(24,900)	(24,000)
Professional fees expense		(31,000)	(39,220)
Sales and marketing expenses		(1,643)	(666)
General and administrative expenses		(30,449)	(30,524)
Foreign currency translation losses		(25,693)	(90,384)
Other expenses		(2,706)	(3,560)
Loss before financing costs		(106,799)	(157,260)
Finance costs		(86)	(168)
Net financing costs		(86)	(168)
Loss before income tax	5	(106,885)	(157,428)
Income tax expense	6	-	-
Loss from continuing operations		(106,885)	(157,428)
Loss from discontinued operations net of income tax	24	(145,723)	(37,131)
Loss for the year		(252,608)	(194,559)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translating foreign controlled entities		(8,261)	(16,681)
Total comprehensive loss attributable to members of the parent entity		(260,869)	(211,240)
Continuing and overall operations			
Basic and diluted loss per share from:			
Continuing operations (cents per share)	9	(0.2)	(0.2)
Overall operations (cents per share)	9	(0.4)	(0.3)

The accompanying notes form an integral part of these consolidated financial statements.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Consolidated entity	
		2019	2018
		\$	\$
Current assets			
Cash and cash equivalents	10	835	20,869
Other current assets	13	5,621	5,566
Total current assets		<u>6,456</u>	<u>26,435</u>
Non-current assets			
Plant and equipment	12	7,998	9,879
Total non-current assets		<u>7,998</u>	<u>9,879</u>
Total assets		<u>14,454</u>	<u>36,314</u>
Current liabilities			
Trade and other payables	14	1,656,050	1,374,992
Short-term borrowings	15	1,719,501	1,288,010
Short-term provisions	16	53,298	53,298
Total current liabilities		<u>3,428,849</u>	<u>2,716,300</u>
Non-current liabilities			
Trade and other payables	14	-	130,000
Long-term borrowings	15	-	343,540
Total non-current liabilities		<u>-</u>	<u>473,540</u>
Total liabilities		<u>3,428,849</u>	<u>3,189,840</u>
Net liabilities		<u>(3,414,395)</u>	<u>(3,153,526)</u>
Equity			
Issued capital	17	8,815,101	8,815,101
Reserves	18	207,417	215,678
Accumulated losses		<u>(12,436,913)</u>	<u>(12,184,305)</u>
Total parent entity interest		<u>(3,414,395)</u>	<u>(3,153,526)</u>
Deficiency in equity		<u>(3,414,395)</u>	<u>(3,153,526)</u>

The accompanying notes form an integral part of these consolidated financial statements.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Issued capital \$	Accumulated losses \$	Foreign currency translation reserve \$	Total \$
Consolidated entity				
Balance at 1 July 2017	8,815,101	(11,989,746)	232,359	(2,942,286)
Loss attributable to members of parent entity	-	(194,559)	-	(194,559)
Other comprehensive income				
Adjustments from translation of foreign controlled entities	-	-	(16,681)	(16,681)
Balance at 30 June 2018	8,815,101	(12,184,305)	215,678	(3,153,526)
Loss attributable to members of parent entity	-	(252,608)	-	(252,608)
Other comprehensive income				
Adjustments from translation of foreign controlled entities	-	-	(8,261)	(8,261)
Balance at 30 June 2019	8,815,101	(12,436,913)	207,417	(3,414,395)

The accompanying notes form an integral part of these consolidated financial statements.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated entity	
		2019	2018
		\$	\$
Cash flows from operating activities			
Receipts from customers		280,712	399,053
Payments to suppliers and employees		(376,746)	(493,613)
Finance costs		(1,074)	(582)
Net cash used in operating activities	20(a)	(97,108)	(95,142)
Cash flows from investing activities			
Purchase of plant and equipment		(2,413)	(3,853)
Net cash used in investing activities		(2,413)	(3,853)
Cash flows from financing activities			
Proceeds from borrowings		87,951	101,146
Net cash provided by financing activities		87,951	101,146
Net increase (decrease) in cash held		(11,570)	2,151
Cash and cash equivalents at beginning of financial year		20,869	36,142
Effect of exchange rate changes on cash and cash equivalents		(8,464)	(17,424)
Cash and cash equivalents at end of financial year	10	835	20,869

		30-Jun-2018	Cash flows	30-Jun-2019
	Note	\$	\$	\$
Reconciliation of liabilities arising from financing activities				
Unsecured liabilities (current)	15	1,288,010	431,491	1,719,501
Unsecured liabilities (non-current)	15	343,540	(343,540)	-
		<u>1,631,550</u>	<u>87,951</u>	<u>1,719,501</u>

The accompanying notes form an integral part of these consolidated financial statements.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Note 1: Reporting entity

World.Net Services Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Suite 163, Level 6, 10 Park Road, Hurstville NSW 2220. The consolidated financial statements of the Company as at the end of the year ended 30 June 2019, comprise the Company and its subsidiaries, together referred to as the Consolidated Entity.

Note 2: Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

(a) Statement of compliance

The consolidated financial report of the Consolidated Entity and the financial report of the Company also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 18 November 2019.

(b) New and amended standards adopted by the group

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Company:

AASB 9 Financial Instruments

The Company has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

AASB 15 Revenue from Contracts with Customers

The Company has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The impact on the financial performance and position of the Company from the adoption of these Accounting Standards is nil.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the group.

(e) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments, in applying accounting policies that have the most significant effect on the amount recognised in the financial statements, are described in this note and Note 16.

(f) Going concern

The Consolidated Entity recorded an EBITDA loss of \$247,037 and a loss after tax of \$252,608 for the year ended 30 June 2019 (2018: loss after tax was \$194,559). The Consolidated Entity had a deficiency in cash generated from operating activities of \$97,108 (2018: \$95,142), net current liabilities of \$3,422,393 (2018: \$2,689,865) and a deficiency in net assets of \$3,414,395 (2018: \$3,153,526). The Consolidated Entity had cash of \$835 as at 30 June 2019.

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 a new business;
- (b) raising additional capital; and
- (d) continued financial support from its financiers.

In the event that the Consolidated Entity is unable to achieve the matters detailed above, it may not be able to continue as a going concern, and therefore the Consolidated Entity may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations, and at the amounts stated in the Financial Statements.

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.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Note 3: Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by group entities to all the years presented, unless otherwise stated.

(a) Principles of consolidation

A controlled entity is any entity World.Net Services Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 11 to this report. All controlled entities have a 30 June financial year end.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Parent Entity.

Where controlled entities have entered or left the Consolidated Entity during the period, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(b) Income tax

The charge for current income tax expense is based on the profit or loss for the period adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Consolidated Entity, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate	Method
Leasehold improvements	20%	Straight line
Plant and equipment	20%	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Financial Instruments

Financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Impairment

The Consolidated Entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Consolidated Entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Financial liabilities

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(e) Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows that are largely independent of the cash inflows of other assets. Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(f) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Consolidated Entity's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the Parent Entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Consolidated Entity's presentation currency are translated as follows:

- assets and liabilities are translated at year end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- accumulated losses are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Consolidated Entity's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

(g) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits that are not expected to be wholly settled within one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

The Consolidated Entity operates a number of share-based compensation plans. These include both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the statement of profit or loss and other comprehensive income. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

(h) Provisions

Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(j) Revenue

Development fees are based on the estimated cost of development, including labour, plus a percentage profit margin. They are billed and recorded progressively as revenue when agreed upon milestones of development has been completed.

Maintenance and hosting fees are ongoing monthly service fees associated with the use of Travel.World.Net (TWN) and Rosta2000 (R2K). These fees are billed and recorded as revenue once an agreement has been reached between the user and World.Net Services Limited and are recognised monthly as service obligations are completed. The maximum term of the service agreement is three years and is renewable on an annual basis subsequent to contract expiry.

Distribution fees are market acquisition fees payable and earned on signing of distribution agreements for the use of Travel.World.Net in specified markets.

Licence fees are paid annually for the exclusive rights to use World.Net Services Limited products. This is accounted for as revenue once all existing obligations have been extinguished under the licencing agreement.

Transaction fees for travel bookings are billed when services are delivered by travel service providers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

Under the Sale and Service Agreement between PYO Travel Sdn Bhd (“PYO”) and World.Net Services Sdn Bhd (“WNS”), WNS grants PYO a non-exclusive license to use: (i) the TWN System; (ii) the Licensed Software solely for the purpose of utilising the TWN System; (iii) a copy of the TWN System source code for the purpose of permitting PYO to modify and maintain the TWN System in the event that WNS is unable to continue to provide services as defined in the agreement; and (iv) textual data, graphic data and logos of WNS for use by PYO in promoting the TWN System.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(m) New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2019. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Company will adopt this standard from 1 July 2019 and its impact on adoption is expected to be nil.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Note 4: Revenue from operations

	Consolidated entity	
	2019	2018
	\$	\$
Revenue		
Services revenue	185,969	374,212
Total revenue from discontinued operations	<u>185,969</u>	<u>374,212</u>
Other income:		
Sundry income from continuing operations	9,592	31,094
Sundry income from discontinued operations	<u>-</u>	<u>12,740</u>
	<u>9,592</u>	<u>43,834</u>

Note 5: Loss before income tax

Loss before income tax from continuing operations includes the following specific expenses:

	Consolidated entity	
	2019	2018
	\$	\$
Finance costs: Other persons	<u>86</u>	<u>168</u>
Foreign currency translation losses	<u>25,693</u>	<u>90,384</u>
Employee benefits expense - fees	<u>24,900</u>	<u>24,000</u>

Note 6: Income tax expense

	Consolidated entity	
	2019	2018
	\$	\$
(a) The prima facie tax on loss before income tax is reconciled to income tax expense as follows:		
Prima facie tax payable on loss before income tax at 27.5% (2018: 27.5%)	(69,467)	(53,504)
Add:		
Tax effect of:		
- non-deductible expenses	6,523	462
	<u>(62,944)</u>	<u>(53,042)</u>
Less:		
- non-assessable income	(219)	(762)
- effect of overseas tax rates on overseas income	(5,100)	(1,300)
Current year deferred tax asset not brought to account	<u>(57,625)</u>	<u>(50,980)</u>
Income tax attributable to parent entity	<u>-</u>	<u>-</u>
(b) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 3 (b) occur	<u>2,439,575</u>	<u>2,412,430</u>

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Note 7: Directors' and executives' remuneration

(a) Names of parent entity directors and other key management personnel in office at any time during the financial year are:

Dato' Eng Kwong Gan
 Mr Ernst M R van Oeveren
 Mr James A Norriss
 Mr Swe Cheong Thong
 Mr Christopher J Yong

(b) Parent entity directors' compensation

	Salary and fees \$	Other benefits \$	Non-cash benefits \$	Total \$
2019				
Mr Ernst M R van Oeveren	81,933	-	-	81,933
Mr Christopher J Yong	24,000	-	-	24,000
	105,933	-	-	105,933
2018				
Mr Ernst M R van Oeveren	129,793	-	-	129,793
Mr Christopher J Yong	24,000	-	-	24,000
	153,793	-	-	153,793

(c) Shareholdings

	Balance 1 July 2018	Received as remuneration	Options exercised	Net change others	Balance 30 June 2019
2019					
Dato' Eng Kwong Gan	16,133,320	-	-	-	16,133,320
Mr Ernst M R van Oeveren	8,633,320	-	-	-	8,633,320
Mr James A Norriss	4,105,640	-	-	-	4,105,640
Mr Swe Cheong Thong	13,968,320	-	-	-	13,968,320
Mr Christopher J Yong	55,000	-	-	-	55,000
	42,895,600	-	-	-	42,895,600
2018					
Dato' Eng Kwong Gan	27,333,320	-	-	(11,200,000)	16,133,320
Mr Ernst M R van Oeveren	8,633,320	-	-	-	8,633,320
Mr James A Norriss	4,105,640	-	-	-	4,105,640
Mr Swe Cheong Thong	13,968,320	-	-	-	13,968,320
Mr Christopher J Yong	55,000	-	-	-	55,000
	54,095,600	-	-	(11,200,000)	42,895,600

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Note 8: Auditors' remuneration

	Consolidated entity	
	2019	2018
	\$	\$
Remuneration of the auditor of the Parent Entity (Nexia Sydney Partnership) for:		
- auditing or reviewing the financial report	31,000	30,500
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial report of subsidiaries	2,370	2,227

Note 9: Earnings per share

	Consolidated entity	
	2019	2018
	\$	\$
(a) Reconciliation of loss		
Loss after tax	(252,608)	(194,559)
Loss used in the calculation of basic and diluted loss per share from overall operations	(252,608)	(194,559)
Loss used in the calculation of basic and diluted loss per share from continuing operations	(106,885)	(157,428)
	Number	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 10: Cash and cash equivalents

	Consolidated entity	
	2019	2018
	\$	\$
Cash at bank and in hand	835	20,869
Total cash at bank and in hand	835	20,869

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Note 11: Controlled entities

Controlled entities consolidated	Country of incorporation	Percentage owned (%)*	
		2019	2018
Parent Entity:			
World.Net Services Limited	Australia		
Subsidiary of World.Net Services Limited:			
World Net Services Sdn Bhd	Malaysia	100	100

* Percentage of voting power is in proportion to ownership.

Note 12: Plant and equipment

	Consolidated entity		
	2019	2018	
	\$	\$	
Plant and equipment			
At cost	68,387	64,121	
Accumulated depreciation	(60,833)	(56,118)	
Net carrying value	<u>7,554</u>	<u>8,003</u>	
Leasehold improvements			
At cost	7,434	7,223	
Accumulated depreciation	(6,990)	(5,347)	
Net carrying value	<u>444</u>	<u>1,876</u>	
Total plant and equipment	<u><u>7,998</u></u>	<u><u>9,879</u></u>	
	Plant and equipment	Leasehold improvements	Total
	\$	\$	\$
Consolidated entity			
Balance at the beginning of the year	8,003	1,876	9,879
Additions	2,413	-	2,413
Depreciation expense	(3,038)	(1,459)	(4,497)
Impact of exchange rate fluctuations	176	27	203
Carrying amount at the end of year	<u><u>7,554</u></u>	<u><u>444</u></u>	<u><u>7,998</u></u>

Note 13: Other assets

	Consolidated entity	
	2019	2018
	\$	\$
CURRENT		
Prepayments	-	104
Deposits	5,621	5,462
Total other current assets	<u><u>5,621</u></u>	<u><u>5,566</u></u>

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Note 14: Trade and other payables

	Consolidated entity	
	2019	2018
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables - related parties	1,199,966	1,083,419
Trade payables - other	173,923	133,973
Sundry payables and accrued expenses	152,161	157,600
Directors' fees payable	130,000	-
Total trade and other payables	<u>1,656,050</u>	<u>1,374,992</u>
NON-CURRENT		
Unsecured liabilities		
Directors' fees payable	-	130,000
Total trade and other payables	<u>-</u>	<u>130,000</u>

Note 15: Borrowings

	Consolidated entity	
	2019	2018
	\$	\$
CURRENT		
Unsecured liabilities		
Unsecured loan - interest free*	1,288,010	1,288,010
Unsecured loans from directors - interest free*	431,491	-
Total short-term borrowings	<u>1,719,501</u>	<u>1,288,010</u>
NON-CURRENT		
Unsecured liabilities		
Unsecured loans from directors - interest free*	-	343,540
Total long-term borrowings	<u>-</u>	<u>343,540</u>

* Recognised based on the contractual cash flows over the full contractual term of the loan. This loan is interest free and has no fixed term for repayment.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Note 16: Provisions

	Consolidated entity	
	2019	2018
	\$	\$
CURRENT		
Employee entitlements		
Opening balance at beginning of year	53,298	53,298
Amounts used/paid	-	-
Balance at end of the year	53,298	53,298

Provision for employee entitlements

A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 3 (g) to this report.

Note 17: Issued capital

	Consolidated entity	
	2019	2018
	\$	\$
70,078,300 (2018: 70,078,300) ordinary shares, fully paid	8,815,101	8,815,101

(a) Ordinary shares

	Number	Number
At the beginning of reporting period	70,078,300	70,078,300
At reporting date	70,078,300	70,078,300

Ordinary shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held. Ordinary shares have no par value.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 18: Reserves

	Consolidated entity	
	2019	2018
	\$	\$
(a) Foreign Currency Translation Reserve		
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary	207,417	215,678

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Note 19: Segment reporting

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.
- 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 3 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 \$7,998 (2018: \$9,879) reside in Malaysia.

Sole customer

Revenue attributable to one customer amounts to \$185,969 (2018: \$374,212), being the total sales revenue for the year, and is reported in the Malaysia segment.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2019	Australia	Malaysia	Intersegment	Consolidated
	\$	\$	eliminations (\$)	\$
External sales	-	185,969	-	185,969
Other segments	-	-	-	-
Total sales revenue	-	185,969	-	185,969
Other revenue	9,592	-	-	9,592
Total revenue	9,592	185,969	-	195,561
Segment result	(406,885)	(145,723)	300,000	(252,608)
Unallocated revenue less unallocated expenses				-
Loss before income tax expense				(252,608)
Income tax expense				-
Loss after income tax				(252,608)
Loss from extraordinary items after income tax expense				-
Net loss				(252,608)
Segment assets	349	15,320	(1,215)	14,454
Unallocated assets				-
Total assets				14,454
Segment liabilities	3,068,588	361,475	(1,214)	3,428,849
Unallocated liabilities				-
Total liabilities				3,428,849
Acquisitions of non-current segment assets	-	2,413	-	2,413
Depreciation and amortisation of segment assets	-	4,497	-	4,497

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2018	Australia	Malaysia	Intersegment	Consolidated
	\$	\$	eliminations (\$)	\$
External sales	-	374,212	-	374,212
Other segments	-	-	-	-
Total sales revenue	-	374,212	-	374,212
Other revenue	31,094	14,817	(2,077)	43,834
Total revenue	31,094	389,029	(2,077)	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

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Note 20: Cash flow information

	Consolidated entity	
	2019	2018
	\$	\$
(a) Reconciliation of net cash used in operating activities with loss after income tax		
Loss after income tax	(252,608)	(194,559)
Cash flows excluded from loss attributable to operating activities:		
Non-cash flows in loss		
Amortisation and depreciation	4,497	3,877
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Decrease in trade and term receivables	-	2,252
Decrease (increase) in deposits and prepayments	(55)	417
Increase in trade payables and accruals	151,058	92,871
Net cash used in operating activities	<u>(97,108)</u>	<u>(95,142)</u>

(b) Non-cash financing and investing activities

During the year, no non-cash financing and investing activities took place.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Note 21: Related party transactions

Transactions with director-related entities

Dato' Eng Kwong Gan and Swe Cheong Thong have substantial financial interests in PYO Travel (MY) Sdn Bhd.

Dato' Eng Kwong Gan also has substantial financial interests in Vacation Asia Holdings Sdn Bhd and Relvest Management Services Sdn Bhd.

During the year, World Net Services Sdn Bhd, a wholly owned subsidiary of World.Net Services Limited:

- Earned fees revenue from PYO Travel (MY) Sdn Bhd, comprising software licensing fees, website maintenance fees, outsourcing fees, booking and transaction fees, and hosting fees.
- Incurred rental expenditure for office space leased from Vacation Asia Holdings Sdn Bhd.
- Incurred office maintenance fees for services provided by Vacation Asia Holdings Sdn Bhd .
- Incurred secretarial and management fees for services rendered by Relvest Management Services Sdn Bhd.

All of the above transactions were based on normal commercial terms and conditions.

	Consolidated entity	
	2019	2018
	\$	\$
Aggregate amounts of each of the above types of transactions with Director-related entities:		
Sales and fees revenue from Director-related entities	185,969	374,212
Rent of office premises paid/payable to Director-related entities	12,054	15,164
Office maintenance fees paid/payable to Director-related entities	4,500	8,311
Secretarial and management fees paid/payable to Director-related entities	2,438	1,718
Aggregate amounts payable to Director-related entities at balance date:		
Trade payables, sundry payables and accrued expenses (Note 14)	1,199,966	1,083,419
Unsecured loans from directors - interest free (Note 15)	431,491	343,540

Wholly-owned group

The wholly-owned group consists of World.Net Services Limited and its wholly-owned controlled entity, World Net Services Sdn Bhd. Ownership interests in this controlled entity is set out in Note 11.

Transactions between World.Net Services Limited and other entities in the wholly-owned group during the years ended 30 June 2018 and 30 June 2019, consisted of loans advanced by/to World.Net Services Limited and loans repaid by/to World.Net Services Limited.

	Parent entity	
	2019	2018
	\$	\$
Aggregate amounts payable to entities in the wholly-owned group at balance date:		
Current payables (loans from controlled entities)	1,213	1,768

Ownership interest in related parties

Interests held in the controlled entities are set out in Note 11.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Note 22: Financial risk management

(a) Financial risk management policies

The group's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and loans.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

(i) Treasury risk management

The Company's senior Executives regularly analyse financial risk exposure and evaluate treasury management strategies in the context of prevailing economic conditions and forecasts.

The overall risk management strategy seeks to assist the consolidated group in meeting its targets, whilst minimising potential adverse effects on financial performance.

The senior Executives operate under the guidance of the Board of Directors. Risk Management issues are considered by the Board on a regular basis, including credit risk policies and future cash flow requirements.

(ii) Financial risks

The main risks the group is exposed to through its financial instruments are market risk (interest rate risk and foreign currency risk) liquidity risk and credit risk.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Consolidated Entity's income. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk arises from the potential for change in interest rates to have an adverse effect on the net earnings of the Consolidated Entity.

Interest rate risk is managed with a mixture of fixed and floating rate debt. The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in Note 22(a)(iii) below. For interest rates applicable to each class of asset or liability, refer to individual notes to the financial statements. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Consolidated Entity intends to hold fixed rate assets and liabilities to maturity.

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. Refer to Note 22(a)(vi) for a sensitivity analysis of the Company's exposure to foreign currency risk.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due.

The Consolidated Entity's approach to managing risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Due to the cessation of the Consolidated Entity's current business operations during the year, there are no forecast cash flows pending the commencement or acquisition of any replacement business operation. Nevertheless, the Consolidated Entity has the option to call on the financial support of its major shareholder and its major creditor.

Credit risk

The credit risk to the Consolidated Entity is the risk that financial assets recognised on the statement of financial position exceed their carrying amount, net of any impairment of those assets.

Credit risk is managed on a group basis and reviewed regularly by senior management. It arises from exposure to customers as well as through deposits with financial institutions. Senior Executives monitor credit risk by actively assessing the rating quality and liquidity of counterparties:

- Only banks and financial institutions with a high rating are utilised; and
- Creditworthiness of potential customers is generally assessed, taking into account their size, market position and financial standing.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(iii) Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

Consolidated entity	Weighted average effective interest rate (%)		Floating interest rate		Non-interest bearing within one year (\$)		Non-interest bearing 1-5 Years (\$)		Total	
	2019	2018	\$ 2019	\$ 2018	2019	2018	2019	2018	\$ 2019	\$ 2018
Financial assets										
Cash and cash equivalents	-	-	-	-	835	20,869	-	-	835	20,869
Total financial assets			-	-	835	20,869	-	-	835	20,869
Financial liabilities										
Trade and sundry creditors			-	-	1,656,050	1,374,992	-	130,000	1,656,050	1,504,992
Other loans			-	-	1,719,501	1,631,550	-	-	1,719,501	1,631,550
Total financial liabilities			-	-	3,375,551	3,006,542	-	130,000	3,375,551	3,136,542

(iv) Net fair values

The carrying amounts of all financial assets and financial liabilities approximate their fair value.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(v) Commentary and analysis of credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2019.

Current trade and sundry creditors and accrued expenses of \$1,656,050 are repayable within 1 year, and it is unlikely that the Company will be required to settle these liabilities earlier than anticipated.

Short-term borrowings of \$1,719,501 comprises an interest-free loan from one of the Company's major shareholders of \$1,288,010 and an interest-free loan from one of the Company's directors of \$431,491. There are no fixed terms for the repayment of these loans.

(vi) Sensitivity analysis

The group has performed sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

As at 30 June 2019, the estimated effect on loss and equity as a result of changes in (i) the interest rate; and (ii) the value of the Australian Dollar (AUD) to the Malaysian Ringgit (MYR), with all other variables remaining constant would be as follows:

	Consolidated entity	
	2019	2018
	\$	\$
<i>Change in profit (loss)</i>		
Increase in interest rate by 0.5%	-	-
Decrease in interest rate by 0.5%	-	-
<i>Change in equity</i>		
Increase in interest rate by 0.5%	-	-
Decrease in interest rate by 0.5%	-	-
<i>Change in profit (loss)</i>		
Improvement in AUD to MYR by 10%	-15,000	-4,000
Decline in AUD to MYR by 10%	15,000	4,000
<i>Change in equity</i>		
Improvement in AUD to MYR by 10%	-35,000	-19,000
Decline in AUD to MYR by 10%	35,000	19,000

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(b) Capital management

Management control the capital of the Consolidated Entity in order to ensure that it can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities.

There are no externally imposed capital requirements.

Management effectively manages the Consolidated Entity's capital by assessing its financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

Note 23: Parent entity disclosure

	Parent entity	
	2019	2018
	\$	\$
Financial position:		
Assets		
Current assets	349	(97)
Non-current assets	-	300,000
Total assets	349	299,903
Liabilities		
Current liabilities	3,068,588	1,031,168
Non-current liabilities	-	1,930,089
Total liabilities	3,068,588	2,961,257
Equity		
Issued capital	8,815,101	8,815,101
Accumulated losses	(11,883,340)	(11,476,455)
Deficiency in equity	(3,068,239)	(2,661,354)
Financial performance:		
Loss for the year	(406,885)	(157,428)
Other comprehensive income	-	-
Total comprehensive loss	(406,885)	(157,428)
Capital and leasing commitments:		

The Parent Entity did not have any capital or leasing commitments at balance date.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Note 24: Discontinued operations

In March 2019, PYO Travel Sdn Bhd (PYO) shut down all of its web services and embarked on an internal restructuring program, and consequently World.Net Services Sdn Bhd (a wholly owned subsidiary of World.Net Services Limited based in Malaysia) and PYO terminated their Sales and Services Agreement. As a result, World.Net Services Sdn Bhd ceased providing services to PYO, and ceased generating revenue from PYO. The Company has since terminated the services of all of its technical staff, while it explores options to revitalise its operations. World.Net is also considering options to recapitalise the Company.

The results of the Malaysia subsidiary's discontinued business operations are disclosed separately in the current and comparative periods in the Statement of Profit or Loss and Other Comprehensive Income as net loss from discontinued operations. As the Malaysian company continues to be a controlled entity, its assets and liabilities continue to be recognised in the Consolidated Entity's balance sheet. The revenue, results and assets of the discontinued Malaysian subsidiary's services business are presented in Note 19, Segment Reporting – Malaysia. The financial information relating to the discontinued operation for the current and comparative period is set out below.

(a) Loss from discontinued operations

	2019	2018
	\$	\$
Revenue and other income	185,969	386,952
Expenses	(331,692)	(424,083)
Loss before income tax	(145,723)	(37,131)
Income tax expense	-	-
Loss after income tax of discontinued operations	(145,723)	(37,131)

(b) Net cash flow

The net cash flow of the discontinued operations, which form part of the statement of cash flows are as follows:

	2019	2018
	\$	\$
Net cash outflow from operating activities	(22,866)	(9,553)
Net cash outflow from investing activities	(2,413)	(3,853)
Net cash inflow from financing activities	4,799	968
Net cash used in the discontinued operations	(20,480)	(12,438)

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
DIRECTORS' DECLARATION

The directors of World.Net Services Limited declare that:

1. in the directors' opinion, the financial statements and accompanying notes set out on pages 15 to 42 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the year ended on that date;
2. note 2 confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
3. in the directors' opinion, there are reasonable grounds to believe that the company and the Consolidated Entity will be able to pay their debts as and when they become due and payable, with continued financial support of major shareholders;
4. the remuneration disclosures included on pages 5 to 7 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2019, comply with section 300A of the *Corporations Act 2001*; and
5. the directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2019.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Director
Dato' Eng Kwong Gan

Dated this 18th day of November 2019

Independent Auditor's Report to the Members of World.Net Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of World.Net Services Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(f) in the financial report, which indicates that the Group incurred a net loss of \$252,608 during the year ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its total assets by \$3,414,395. As stated in Note 2(f), these events or conditions, along with other matters as set forth in Note 2(f), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

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Other information

The directors are responsible for the other information. The other information comprises the information in World.Net Services Limited's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_files/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 7 of the directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of World.Net Services Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Nexia Sydney Partnership

A handwritten signature in blue ink, appearing to read 'Fisher', is positioned above the printed name.

Stephen Fisher
Partner

Dated: 18 November 2019
Sydney

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
ASX ADDITIONAL INFORMATION

1. Shareholding

The shareholder information set out below was applicable as at 15 November 2019.

(a) Distribution of equity securities

The distribution of the number of holders in each class of equity securities was:

Category (size of holding)	Ordinary shares (holders)
1 - 1,000	3
1,001 - 5,000	96
5,001 - 10,000	40
10,001 - 100,000	73
100,001 - and over	31
	243
	243
Number of holders holding less than a marketable parcel of securities	187

(b) Substantial shareholders

The substantial shareholders in the Company are:

Shareholder	Number of ordinary shares
Reliance Holdings Sdn Berhad ¹	27,968,320
Travel World Dot Net Sdn Berhad ¹	27,968,320
Reliance Pacific Berhad (and each of its subsidiaries) ¹	27,333,320
RPB Holdings (Overseas) Limited ¹	27,333,320
Xplonet Investments Limited ¹	27,333,320
Dato' Gan Eng Kwong ¹	16,133,320
Ernst Michiel Rudge van Oeveren	8,633,320
Destination Management Consultant (HK) Limited ³	7,920,400
Travel Computing Services Pty Limited ³	7,920,400
Techcap Resources Sdn Berhad	5,620,000
Zainal Amanshah ⁴	5,620,000
Koh Pei Tzer	5,463,800
James Anthony Norriss	4,105,640
Chan Meng Fatt ⁵	3,735,760
Loo Thiam Yong ⁵	3,735,760

¹ Reliance Holdings Sdn Berhad, Travel World Dot Net Sdn Berhad, Reliance Pacific Berhad (and each of its subsidiaries), RPB Holdings (Overseas) Limited and Travel World Dot Net Sdn Berhad have a relevant interest in 13,333,320 ordinary shares registered to Travel World Dot Net Sdn Bhd, 11,200,000 ordinary shares registered to Xplonet Investments Limited and 2,800,000 ordinary shares registered to Dato' Gan Eng Kwong. Reliance Holdings Sdn Berhad and Travel World Dot Net Sdn Berhad have a relevant interest in an additional 635,000 ordinary shares registered to associates. Dato' Gan Eng Kwong has a relevant interest in 13,333,320 ordinary shares registered to Travel World Dot Net Sdn Bhd and 2,800,000 ordinary shares registered to Dato' Gan Eng Kwong.

² Lintiaan Investments Limited has a relevant interest in 2,479,960 ordinary shares which it holds and 8,633,320 ordinary shares registered to Ernst M R van Oeveren.

³ Destination Management Consultant (HK) Limited and Travel Computing Services Pty Limited have a relevant interest in 3,735,760 ordinary shares registered to Travel Computing Services Pty Limited, 4,105,640 ordinary shares registered to James A Norriss and 79,000 ordinary shares registered to other associates.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
ASX ADDITIONAL INFORMATION

⁴ Zainal Amanshah has a relevant interest in 5,620,000 shares registered to Techcap Resources Sdn Berhad.

⁵ Chan Meng Fatt and Loo Thiam Yong have a relevant interest in 3,735,760 ordinary shares registered to Travel Computing Services Pty Limited.

(c) Voting rights

The voting rights attaching to each class of equity securities are as follows:

(i) Ordinary shares

Each shareholder entitled to vote may do so in person or by proxy or representative.

On a show of hands, every shareholder present (whether in person or by proxy or representative) has one vote.

On a poll, each shareholder present (whether in person or by proxy or representative) has one vote for each ordinary share that shareholder holds and a fraction of a vote for each partly paid ordinary share that shareholder holds. The fraction is equivalent to the proportion that the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited) on that share.

(ii) Options

No voting rights.

(d) 20 largest holders - ordinary shares

The 20 largest holders of ordinary shares were as follows:

	Name	Number of ordinary fully paid shares held	% held of issued ordinary capital
1	Travel World Dot Net Sdn Bhd	13,333,320	19.03%
2	Xplonet Investments Limited	11,200,000	15.98%
3	Mr Ernst Michiel Rudge van Oeveren	8,633,320	12.32%
4	Techcap Resources Sdn Berhad	5,620,000	8.02%
5	Pei Tzer Koh	5,463,800	7.80%
6	Mr James Anthony Norriss	4,105,640	5.86%
7	Travel Computing Services Pty Limited	3,735,760	5.33%
8	Sin Chong Tan	3,070,868	4.38%
9	Dato' Eng Kwong Gan	2,800,000	4.00%
10	Lintiaan Investments Limited	2,479,960	3.54%
11	Rosh Capital Advisors Pty Ltd	1,054,435	1.51%
12	Claymore Capital Pty Ltd	750,500	1.07%
13	Gleneagle Securities (Aust) Pty Ltd	660,000	0.94%
14	Swe Cheong Thong	635,000	0.91%
15	Pacific Eagle Equities Pty Ltd	500,000	0.71%
16	Flay Minions Pty Ltd <L & C McKerrow S/F>	290,032	0.41%
17	Chye Hoon Teh	280,000	0.40%
=18	HSBC Custody Nominees (Australia) Limited	200,000	0.29%
=18	Kean Kok Poon	200,000	0.29%
20	Mr Joseph-Nathan D'urberville	197,699	0.28%

2. Company secretary

The Company Secretary is: Christopher J Yong.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
ASX ADDITIONAL INFORMATION

3. Registered office

The registered office of the Company is:

Suite 163, Level 6
10 Park Road
Hurstville NSW 2220

Telephone: (02) 9580 6166
Facsimile: (02) 8078 3838

4. Registers of securities

The registers of securities of the Company are held at:

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Telephone: (02) 8280 7100
Facsimile: (02) 9287 0303

5. Stock exchange listing

The Company was admitted to the official list of the Australian Securities Exchange Limited on 22 August 2000.

Official quotation of the Company's securities commenced on 24 August 2000, on all Member Exchanges of the Australian Securities Exchange Limited.

6. Unquoted securities

The details of classes of unquoted equity securities are as follows:

Class of securities	Number of securities	Number of holders
Employee Share Plan	20,000	1

Holders of 20% or more of the equity securities in an unquoted class are as follows:

Holder	Number of options
Sherman Chan	20,000

**WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
DIRECTORY**

DIRECTORS

Dato' Gan Eng Kwong
- Chairman / Non-Executive

Ernst M R van Oeveren
- Chief Executive Officer / Director

James A Norriss
- Non-Executive Director

Thong Swe Cheong
- Non-Executive Director

Christopher J Yong
- Non-Executive Director

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COMPANY SECRETARY

Christopher J Yong

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