

World.Net Services Limited

ABN 77 072 392 673

Appendix 4E: Preliminary final report For the year ended 30 June 2016 (Previous corresponding period - Year ended 30 June 2015)

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Appendix 4E
Preliminary final report
For the year ended 30 June 2016
(Previous corresponding period - Year ended 30 June 2015)

Name of entity: World.Net Services Limited

ABN: 77 072 392 673 Financial year ended: 30 June 2016

Results for announcement to the market (Item 2)

Item 2.1

Revenue from ordinary activities	down	2%	to	\$359,245
			from	\$366,573

Item 2.2

Profit (loss) from ordinary activities	down	22%	to	(\$193,338)
after tax attributable to members			from	(\$247,631)

Item 2.3

Net profit (loss) for the period	down	22%	to	(\$193,338)
attributable to members			from	(\$247,631)

Item 2.4

Final and interim dividends:

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

Item 2.5

Record date for determining entitlements to dividends:

Not applicable

Item 2.6

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

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

Preliminary consolidated statement of profit or loss and other comprehensive income (Item 3)
For the year ended 30 June 2016

		Consolidated	
	Notes	2016 \$	2015 \$
Continuing operations			
Revenue	3	359,245	366,573
Cost of sales		(1,435)	(2,875)
Gross profit		357,810	363,698
Employee benefits expense		(423,950)	(459,110)
Depreciation and amortisation expense		(2,493)	(2,592)
Rental expense	4	(13,395)	(16,260)
Professional fees expense		(46,352)	(63,433)
Sales and marketing expenses		(7,573)	(19,149)
General and administrative expenses		(41,134)	(43,460)
Other expenses		(15,986)	(6,558)
Loss from continuing operations		(193,073)	(246,864)
Finance costs	4	(265)	(767)
Net financing costs		(265)	(767)
Loss before income tax		(193,338)	(247,631)
Income tax expense		-	-
Loss attributable to members of the parent entity	16	(193,338)	(247,631)
Other comprehensive income			
Exchange differences on translating foreign controlled entities		34,219	(25,613)
Total comprehensive loss attributable to members of the parent entity		(159,119)	(273,244)
Loss per share			
		Cents / share	Cents / share
Basic	18	(0.3)	(0.4)
Diluted	18	(0.3)	(0.4)

The accompanying notes form part of these financial statements.

Preliminary consolidated statement of financial position (Item 4)
As at 30 June 2016

		Consolidated	
	Notes	2016 \$	2015 \$
Current assets			
Cash and cash equivalents	5	1,793	26,098
Trade and other receivables	6	655	7,685
Other current assets	7	13,555	22,488
Total current assets		16,003	56,271
Non-current assets			
Plant and equipment	8	5,618	8,242
Total non-current assets		5,618	8,242
Total assets		21,621	64,513
Current liabilities			
Trade and other payables	9	1,199,093	1,248,556
Short-term borrowings	10	1,288,010	1,288,380
Short-term provisions	11	83,298	83,298
Total current liabilities		2,570,401	2,620,234
Non-current liabilities			
Trade and other payables	12	130,000	130,000
Long-term borrowings	13	166,060	-
Total non-current liabilities		296,060	130,000
Total liabilities		2,866,461	2,750,234
Net assets		(2,844,840)	(2,685,721)
Equity			
Issued capital	14	8,815,101	8,815,101
Reserves	15	(52,425)	(86,644)
Accumulated losses	16	(11,607,516)	(11,414,178)
Total parent entity interest		(2,844,840)	(2,685,721)
Total equity		(2,844,840)	(2,685,721)

The accompanying notes form part of these financial statements.

Preliminary consolidated statement of changes in equity (Item 6)
For the year ended 30 June 2016

	Share capital (ordinary) \$	Accumulated losses \$	Foreign currency translation reserve \$	Total \$
Balance at 1 July 2014	8,815,101	(11,166,547)	(61,031)	(2,412,477)
Loss attributable to members of parent entity	-	(247,631)	-	(247,631)
Other comprehensive income to be reclassified to profit and loss in subsequent periods				
Adjustments from translation of foreign controlled entities	-	-	(25,613)	(25,613)
Balance at 30 June 2015	8,815,101	(11,414,178)	(86,644)	(2,685,721)
Loss attributable to members of parent entity	-	(193,338)	-	(193,338)
Other comprehensive income to be reclassified to profit and loss in subsequent periods				
Adjustments from translation of foreign controlled entities	-	-	34,219	34,219
Balance at 30 June 2016	8,815,101	(11,607,516)	(52,425)	(2,844,840)

The accompanying notes form part of these financial statements.

Preliminary consolidated statement of cash flows (Item 5)
For the year ended 30 June 2016

		Consolidated	
	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		380,624	378,308
Payments to suppliers and employees		(604,704)	(325,573)
Finance costs		(265)	(767)
Net cash provided by (used in) operating activities	17	(224,345)	51,968
Cash flows from investing activities			
Purchase of plant and equipment		(152)	(8,950)
Net cash used in investing activities		(152)	(8,950)
Cash flows from financing activities			
Proceeds from borrowings		166,060	-
Net cash provided by financing activities		166,060	-
Net increase (decrease) in cash held		(58,437)	43,018
Cash and cash equivalents at beginning of financial year		25,728	6,245
Effect of exchange rate changes on cash and cash equivalents		34,502	(23,535)
Cash and cash equivalents at end of financial year	5	1,793	25,728

The accompanying notes form part of these financial statements.

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

30 June 2016

Note 1: Accounting policies and basis of preparation

Basis of preparation

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

The Preliminary Final Report is presented in Australian dollars and has been prepared on the basis of historical costs except in accordance with relevant accounting policies where assets and liabilities are stated at their values in accordance with relevant accounting policies. The accounting policies adopted in this report are the same as those disclosed in the annual financial report for the year ended 30 June 2015.

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

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

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

Going concern

The Consolidated Entity recorded an EBITDA loss of \$190,580 and a loss after tax of \$193,338 for the year ended 30 June 2016. The Consolidated Entity had a deficiency in net assets of \$2,844,840. The Consolidated Entity had cash of \$1,793 and budgeted positive cash flows from operations for the period to 30 June 2016, sufficient to fund the costs of operations.

The assumptions about budgeted future sales levels, expenditures and resulting cash flows by the Consolidated Entity are based upon the achievement of certain economic, operating and trading assumptions about future events and actions that have not yet occurred, and may not necessarily occur. Whilst the directors believe the assumptions are best estimates based on information presently available and the actions currently being undertaken by management, the occurrence and timing of the future events are not certain.

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

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

Note 2: Segment information

Identification of reportable operating segments

The Consolidated Entity is organised into three operating segments: Australia, UK 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.

Note 2: Segment information (continued)

Types of products and services

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

- Australia - represents the holding company operations only. No trading income is generated in this segment.
- UK - this is a dormant 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 1 to the financial statements.

Intersegment transfers

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

Intersegment receivables, payables and loans

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

Geographical information

All revenue attributable to the Malaysia segment are revenues generated from Malaysia-domiciled external customers. Non-current assets of \$5,618 (2015: \$8,242) reside in Malaysia.

Major customers

Revenue attributable to two customers amount to \$342,943 (2015: \$337,336) and \$16,302 (2015: \$29,237) respectively, and are reported in the Malaysia segment.

Notes to the preliminary consolidated financial statements (Items 3, 4 and 5)
30 June 2016

Note 2: Segment information (continued)

2016	Australia \$	UK \$	Malaysia \$	Intersegment Elim/Unalloc (\$)	Consolidated \$
External sales	-	-	359,245	-	359,245
Other segments	-	-	-	-	-
Total sales revenue	-	-	359,245	-	359,245
Other revenue	-	-	-	-	-
Total revenue	-	-	359,245	-	359,245
Segment result	(106,001)	-	(71,581)	(15,756)	(193,338)
Unallocated revenue less unallocated expenses					-
Loss before income tax expense					(193,338)
Income tax expense					-
Loss after income tax					(193,338)
Profit from extraordinary items after income tax expense					-
Net loss					(193,338)
Segment assets	610,205	-	1,175,266	(1,763,850)	21,621
Unallocated assets					-
Total assets					21,621
Segment liabilities	3,105,912	1,493,891	1,576,961	(3,310,303)	2,866,461
Unallocated liabilities					-
Total liabilities					2,866,461
Acquisitions of non-current segment assets	-	-	152	-	152
Depreciation and amortisation of segment assets	-	-	2,493	-	2,493

Notes to the preliminary consolidated financial statements (Items 3, 4 and 5)
30 June 2016

Note 2: Segment information (continued)

2015	Australia \$	UK \$	Malaysia \$	Intersegment Elim/Unalloc (\$)	Consolidated \$
External sales	-	-	366,573	-	366,573
Other segments	-	-	-	-	-
Total sales revenue	-	-	366,573	-	366,573
Other revenue	-	-	-	-	-
Total revenue	-	-	366,573	-	366,573
Segment result	(129,338)	(409)	(117,884)	-	(247,631)
Unallocated revenue less unallocated expenses					-
Loss before income tax expense					(247,631)
Income tax expense					-
Loss after income tax					(247,631)
Profit from extraordinary items after income tax expense					-
Net loss					(247,631)
Segment assets	615,360	-	1,137,620	(1,688,467)	64,513
Unallocated assets					-
Total assets					64,513
Segment liabilities	3,005,066	1,698,294	1,522,637	(3,475,763)	2,750,234
Unallocated liabilities					-
Total liabilities					2,750,234
Acquisitions of non-current segment assets	-	-	8,950	-	8,950
Depreciation and amortisation of segment assets	-	-	2,592	-	2,592

Notes to the preliminary consolidated financial statements (Items 3, 4 and 5)
30 June 2016

	Notes	Consolidated 2016 \$	2015 \$
Note 3: Revenue from continuing operations			
Services revenue		359,245	366,573
Total revenue from continuing operations		359,245	366,573
Note 4: Expenses			
Finance costs:			
Other persons		265	767
Bad and doubtful debts:			
Trade receivables		7,406	860
Rental expense on operating leases:			
Minimum lease payments		13,395	16,260
Superannuation, pension, and EPF contributions		27,457	32,317
Note 5: Current assets - Cash and cash equivalents			
Cash at bank and in hand		1,793	26,098
Reconciliation of cash			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash and cash equivalents		1,793	26,098
Bank overdrafts	10	-	(370)
Cash and cash equivalents in the statement of cash flows		1,793	25,728
Note 6: Current assets - Trade and other receivables			
Trade receivables		37,676	41,210
Less: Provision for impairment of receivables		(37,021)	(33,525)
Total trade and other receivables		655	7,685
Note 7: Current assets - Other current assets			
Prepayments		11,909	20,785
Deposits		1,646	1,703
Total other current assets		13,555	22,488
Note 8: Non-current assets - Plant and equipment			
Plant and equipment			
At cost		58,735	60,617
Less: Accumulated depreciation		(53,117)	(52,375)
Total plant and equipment		5,618	8,242

Notes to the preliminary consolidated financial statements (Items 3, 4 and 5)
30 June 2016

		Consolidated	
		2016	2015
	Notes	\$	\$
Note 9: Current liabilities - Trade and other payables			
Unsecured liabilities			
Trade payables - related parties		903,662	847,027
Trade payables - other		125,377	177,648
Sundry payables and accrued expenses		170,054	223,881
Total trade and other payables		<u>1,199,093</u>	<u>1,248,556</u>
Note 10: Current liabilities - Short-term borrowings			
Unsecured liabilities			
Bank overdrafts	5	-	370
Unsecured loans - interest free		1,288,010	1,288,010
		<u>1,288,010</u>	<u>1,288,380</u>
Note 11: Current liabilities - Short-term provisions			
Employee entitlements		<u>83,298</u>	<u>83,298</u>
Note 12: Non-current liabilities - Trade and other payables			
Unsecured liabilities			
Directors' fees payable		<u>130,000</u>	<u>130,000</u>
Note 13: Non-current liabilities - Long-term borrowings			
Unsecured liabilities			
Unsecured loans from directors - interest free		<u>166,060</u>	<u>-</u>
Note 14: Issued capital			
70,078,300 ordinary shares, fully paid		<u>8,815,101</u>	<u>8,815,101</u>
Note 15: Reserves			
Foreign currency translation reserve		<u>(52,425)</u>	<u>(86,644)</u>
Note 16: Accumulated losses			
Accumulated losses at the beginning of the financial year		(11,414,178)	(11,166,547)
Loss attributable to members of the parent entity		(193,338)	(247,631)
Accumulated losses at the end of the financial year		<u>(11,607,516)</u>	<u>(11,414,178)</u>

Notes to the preliminary consolidated financial statements (Items 3, 4 and 5)
30 June 2016

	Notes	Consolidated	
		2016	2015
		\$	\$
Note 17: Reconciliation of net cash used in operating activities with loss after income tax			
Loss after income tax		(193,338)	(247,631)
Cash flows excluded from loss attributable to operating activities:			
Non-cash flows in loss			
Amortisation and depreciation		2,493	2,592
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:			
Decrease in trade and term receivables		7,030	11,066
Decrease (increase) in deposits and prepayments		8,933	(11,851)
Increase (decrease) in trade payables and accruals		(49,463)	297,792
Net cash provided by (used in) operating activities		(224,345)	51,968

Non-cash financing and investing activities

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

Note 18: Earnings per share

	Cents	Cents
Basic EPS	(0.3)	(0.4)
Diluted EPS	(0.3)	(0.4)
	\$	\$
Reconciliation of loss		
Loss	(193,338)	(247,631)
Loss used in the calculation of basic EPS	(193,338)	(247,631)
Loss used in the calculation of diluted EPS	(193,338)	(247,631)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	70,078,300	70,078,300
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	70,078,300	70,078,300

Note 19: Subsequent events

World.Net Services (UK) Limited, a wholly owned UK subsidiary of World.Net Services Limited, was dissolved on 9 August 2016.

Other disclosure items

30 June 2016

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

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

Details of dividend reinvestment plans in operation (Item 8)

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

Net tangible assets per security (Item 9)

	2016 Cents	2015 Cents
Net tangible asset backing per ordinary security	(4.1)	(3.8)

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

There were no entities over which control had been gained or lost during the year.

Details of associates and joint venture entities (Item 11)

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

Other significant information (Item 12)

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

Commentary on the results for the period (Item 14)

Earnings per security (Item 14.1)

Refer to Note 18 to the preliminary consolidated financial statements.

Returns to shareholders (Item 14.2)

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

Significant features of operating performance (Item 14.3)

- Sales were down 2% in comparison with the previous financial year - from \$366,573 to \$359,245.
- Operating expenditure was down 10% in comparison with the previous financial year - from \$610,845 to \$549,825.
- EBITDA improved by \$53,692 in comparison with the previous financial year - from a \$244,272 EBITDA loss to a \$190,580 EBITDA loss.

Other disclosure items

30 June 2016

The results of segments (Item 14.4)

Refer to Note 2 to the preliminary consolidated financial statements.

Discussion of trends in performance (Item 14.5)

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

	2016	2015	2014
	\$	\$	\$
Sales and fees revenue	359,245	366,573	380,097
Other revenue (excluding interest)	-	-	6,173
Total revenue (excluding interest)	359,245	366,573	386,270
Less: Operating expenses	(549,825)	(610,845)	(599,238)
EBITDA	(190,580)	(244,272)	(212,968)
Less: Depreciation, amortisation and impairment losses	(2,493)	(2,592)	(6,366)
EBIT	(193,073)	(246,864)	(219,334)
Less: Net interest expense	(265)	(767)	(237)
Loss before tax	(193,338)	(247,631)	(219,571)
Less: Income tax expense	-	-	-
Loss after tax	(193,338)	(247,631)	(219,571)

This year World.Net has continued to focus on PYO Travel ("PYO"), where it is responsible for the development and operational management of the family of PYO travel portal sites. PYO continues to expand its operations with new technical and commercial initiatives, targeted specifically at adding value and establishing a long term value proposition in Asian regional countries, with a specific focus on Malaysia, Singapore, Hong Kong, Thailand and Taiwan.

Over the past few years World.Net has re-engineered the core architecture of its technology platform, which is now a mature online travel agency (OTA) solution. Operating as a cloud based solution, also allows us to leverage the no-hardware, minimal system administration paradigm that facilitates the Company's ability to focus on delivering functionality to PYO without the constraints of scalability, stability and integrity of the infrastructure.

Revenue from PYO has remained flat, and we are projecting only modest revenue growth in 2016/2017.

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

The Company's development plans for the next 12 months will focus on providing upgrades to the PYO engine and associated services. Again for this next year, the technical innovations the Company implements will continue to provide PYO with a strong platform with which to grow their market share of Asian regional travel online services.

PYO will continue to be the sole major client for World.Net for the next 12 months.

Staff levels have reduced slightly this year, currently at 11 permanent, and 2 part-time staff.

Other disclosure items
30 June 2016

Audit status (Items 15, 16 and 17)

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

The auditors observed that there is a significant uncertainty as to the Company's ability to continue as a going concern, and expect this to be reflected in their audit report when issued.



Ernst van Oeveren
Director / Chief Executive Officer

31 August 2016