



W O R L D . N E T

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

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2016**

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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 entities, comprising World.Net Services (UK) Limited and World Net Services Sdn Bhd (together referred to as the "Consolidated Entity"), for the financial year ended 30 June 2016, 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 were no significant changes in the nature of the Consolidated Entity's principal activities during the financial year.

Operating results

The consolidated loss of the Consolidated Entity after providing for income tax amounted to \$193,338 (2015: \$247,631).

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 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.

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The table below summarises the Company'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.

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.

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.

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After balance date events

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.

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

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 issues

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

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 27,333,320 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 over 20 years of experience in accounting and finance: more than 10 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.

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 2016

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

	2016 Salary and fees \$	2016 Other benefits \$	2016 Total \$	2015 Salaries and fees \$	2015 Other benefits \$	2015 Total \$
Compensation						
Dato' Eng Kwong Gan	-	-	-	-	-	-
Mr Ernst M R van Oeveren	135,739	-	135,739	104,417	8,353	112,770
Mr James A Norriss	-	-	-	-	-	-
Mr Swe Cheong Thong	-	-	-	-	-	-
Mr Christopher J Yong	24,000	-	24,000	32,000	-	32,000
	<u>159,739</u>	<u>-</u>	<u>159,739</u>	<u>136,417</u>	<u>8,353</u>	<u>144,770</u>

	Balance 1 July 2015	Received as remuneration	Options exercised	Net change (others)	Balance 30 June 2016
Shareholdings					
Dato' Eng Kwong Gan	27,333,320	-	-	-	27,333,320
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	635,000	-	-	13,333,320	13,968,320
Mr Christopher J Yong	55,000	-	-	-	55,000
	<u>40,762,280</u>	<u>-</u>	<u>-</u>	<u>13,333,320</u>	<u>54,095,600</u>

	Balance 1 July 2014	Received as remuneration	Options exercised	Net change (others)	Balance 30 June 2015
Shareholdings					
Dato' Eng Kwong Gan	27,333,320	-	-	-	27,333,320
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	635,000	-	-	-	635,000
Mr Christopher J Yong	55,000	-	-	-	55,000
	<u>40,762,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,762,280</u>

Options issued as part of remuneration for the year ended 30 June 2016

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)

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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	4
Mr Ernst M R van Oeveren	4	4
Mr James A Norriss	4	4
Mr Swe Cheong Thong	4	4
Mr Christopher J Yong	4	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 2016, 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 2016.

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2016 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 29th day of September 2016

The Board of Directors
World.Net Services Limited
Level 14
309 Kent Street
Sydney NSW 2000

30 September 2016

Dear Board Members

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 2016, 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.

This declaration is in respect of World.Net Services Limited and the entities it controlled during the period.

Yours sincerely



Nexia Court & Co
Chartered Accountants



Andrew Hoffmann
Partner

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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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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:	67%
▪ 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 2016

		Consolidated entity	
		2016	2015
	Note	\$	\$
Revenue	4	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	5	(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 before finance costs and tax		(193,073)	(246,864)
Finance costs	5	(265)	(767)
Net financing costs		(265)	(767)
Loss before income tax		(193,338)	(247,631)
Income tax expense	6	-	-
Loss attributable to members of the parent entity		(193,338)	(247,631)
Other comprehensive income			
<i>Items that will ultimately be reclassified to profit or loss</i>			
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)
Continuing and overall operations			
Basic earnings per share (cents per share)	9	(0.3)	(0.4)
Diluted earnings per share (cents per share)	9	(0.3)	(0.4)

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 2016

		Consolidated entity	
		2016	2015
	Note	\$	\$
Current assets			
Cash and cash equivalents	10	1,793	26,098
Trade and other receivables	11	655	7,685
Other current assets	14	13,555	22,488
Total current assets		<u>16,003</u>	<u>56,271</u>
Non-current assets			
Plant and equipment	13	<u>5,618</u>	<u>8,242</u>
Total non-current assets		<u>5,618</u>	<u>8,242</u>
Total assets		<u>21,621</u>	<u>64,513</u>
Current liabilities			
Trade and other payables	15	1,199,093	1,248,556
Short-term borrowings	16	1,288,010	1,288,380
Short-term provisions	17	<u>83,298</u>	<u>83,298</u>
Total current liabilities		<u>2,570,401</u>	<u>2,620,234</u>
Non-current liabilities			
Trade and other payables	15	130,000	130,000
Long-term borrowings	16	<u>166,060</u>	<u>-</u>
Total non-current liabilities		<u>296,060</u>	<u>130,000</u>
Total liabilities		<u>2,866,461</u>	<u>2,750,234</u>
Net assets		<u>(2,844,840)</u>	<u>(2,685,721)</u>
Equity			
Issued capital	18	8,815,101	8,815,101
Reserves	19	(52,425)	(86,644)
Accumulated losses		<u>(11,607,516)</u>	<u>(11,414,178)</u>
Total parent entity interest		<u>(2,844,840)</u>	<u>(2,685,721)</u>
Total equity		<u>(2,844,840)</u>	<u>(2,685,721)</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 2016

	Issued capital	Accumulated losses	Foreign currency translation reserve	Total
	\$	\$	\$	\$
Consolidated entity				
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)
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)
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 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 2016

		Consolidated entity	
		2016	2015
	Note	\$	\$
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 (used in) by operating activities	21(a)	(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	10	1,793	25,728

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 2016

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 Level 14, 309 Kent Street, Sydney NSW 2000. The consolidated financial statements of the Company as at the end of the year ended 30 June 2016, 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 29 September 2016.

(b) New and amended standards adopted by the group

The group has adopted AASB 2015-3: 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality' effective from 1 July 2015. The adoption of these amendments had no impact on the financial statements.

(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 17.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

(f) 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 Consolidated Entity has economic dependence on one customer, which is a related party. There is a sales agreement between the two parties which currently is in effect until 4 October 2017 and can be terminated if there is a material breach in the agreement or if written notice is provided regarding certain fee variations.

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 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.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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.

(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 12 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 2016

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%-40%	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

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. When it is not possible to estimate reliably the cash flows or the expected life of a financial liability, the contractual cash flows over the full contractual term is used as the basis for recognition.

Impairment

At each reporting date, the Consolidated Entity assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

(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 2016

(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 legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(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.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

(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).

The Sale and Service Agreement between PYO Travel Sdn Bhd ("PYO") and World.Net Services Sdn Bhd ("WNS") includes the following provisions:

- PYO agrees to purchase source code from WNS, where the intellectual property rights still belong to WNS.
- The purchase of source code grants PYO, in perpetuity, permission to maintain and modify the application source code in the event WNS decides to divert from current technology. In addition, the source code developed by WNS for TWN system enhancements implemented specifically for PYO, during the term of the agreement, will be provided to PYO.
- The use of the source code by PYO is limited to PYO, for the purpose of continuing to provide online travel reservation services, including services to their affiliates, business associates, and customers.

(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 2016

(m) New standards and interpretations not yet adopted

The following new Australian Accounting Standards have been issued but are not yet effective. The group has not early adopted any of these new standards or amendments. When applied in future periods, they are not expected to have a material impact on the financial position or performance of the group, unless otherwise detailed below:

- AASB 14 *Regulatory Deferral Accounts*;
- AASB 1056 *Superannuation Entities*;
- AASB 1057 *Application of Australian Accounting Standards*;
- AASB 2014-3 *Accounting for Acquisitions of Interests in Joint operations – Amendments to AASB 11*;
- AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)*;
- AASB 2014-6 *Agriculture: Bearer Plants (Amendments to AASB 116 and AASB 141)*;
- AASB 2014-9 *Equity Method in Separate Financial Statements (Amendments to AASB 127)*;
- AASB 2014-10 *Sale of Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)*;
- AASB 2015-1 *Annual Improvements to Australian Accounting Standards 2012-2014*;
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*;
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*;
- AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-profit Public Sector Entities*;
- AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*;
- AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs*;
- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*;
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*; and
- AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*.

AASB 9 Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets and incorporates amendments to the accounting for financial liabilities and hedge accounting rules to remove the quantitative hedge effectiveness tests and have been replaced with a business model test.

AASB 9 improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139 as follows:

- a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
- b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - i) The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
 - ii) The remaining change is presented in profit or loss.

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were made to other standards as a result of AASB 9 by AASB 2014-7 and AASB 2014-8. The mandatory application date of AASB 9 has been deferred to annual reporting periods beginning on or after 1 January 2018 by AASB 2014-1.

In light of the change to the mandatory effective date, the group is expected to adopt AASB 9 and related amending standards for the annual reporting period ending 30 June 2019. Therefore the Directors are unable to reliably estimate the potential future impacts of this new standard at this time.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and four Interpretations issued by the AASB and amends the principles for recognising revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Standard requires an entity to recognise revenue on a basis that depicts 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. To achieve that principle, an entity shall apply all of the following steps:

- a) identify the contract with a customer;
- b) identify the separate performance obligations in the contract;
- c) determine the transaction price;
- d) allocate the transaction price to the separate performance obligations in the contract; and
- e) recognise revenue when (or as) the entity satisfies a performance obligation.

Consequential amendments to other Standards are made by AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*. The mandatory application date of AASB 15 has been deferred to annual reporting periods beginning on or after 1 January 2018 by AASB 2015-8.

In light of the change to the mandatory effective date, the group is expected to adopt AASB 9 and related amending standards for the annual reporting period ending 30 June 2019. Therefore the Directors are unable to reliably estimate the potential future impacts of this new standard at this time.

AASB 16 Leases

AASB 16 replaces AASB 117 *Leases* and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 *Statement of Cash Flows*.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

This Standard applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided the entity also applies AASB 15 *Revenue from Contracts with Customers* at or before the same date.

The group is expected to adopt AASB 16 for the annual reporting period ending 30 June 2020. As the group do not currently hold any leases, it is expected that there will be no significant future impact on the financial statements of the group.

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Note 4: Revenue from continuing operations

	Consolidated entity	
	2016	2015
	\$	\$
Revenue		
Services revenue	359,245	366,573
Total revenue from continuing operations	<u>359,245</u>	<u>366,573</u>

Note 5: Expenses

	Consolidated entity	
	2016	2015
	\$	\$
Finance costs: Other persons	<u>265</u>	<u>767</u>
Bad and doubtful debts: Trade receivables	<u>7,406</u>	<u>860</u>
Rental expense on operating leases: Minimum lease payments	<u>13,395</u>	<u>16,260</u>
Superannuation, pension and EPF contributions	<u>27,457</u>	<u>32,317</u>

Note 6: Income tax expense

	Consolidated entity	
	2016	2015
	\$	\$
(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 30% (2015: 30%)	(58,001)	(74,289)
Add:		
Tax effect of:		
- non-deductible expenses	<u>985</u>	<u>972</u>
	(57,016)	(73,317)
Less:		
- effect of overseas tax rates on overseas income	(3,628)	(5,935)
- recoupment of prior year tax losses not previously brought to account	-	-
Current year deferred tax asset not brought to account	<u>(53,388)</u>	<u>(67,382)</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>2,504,277</u>	<u>2,788,173</u>

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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 \$
2016				
Mr Ernst M R van Oeveren	135,739	-	-	135,739
Mr Christopher J Yong	24,000	-	-	24,000
	<u>159,739</u>	<u>-</u>	<u>-</u>	<u>159,739</u>

	Salary and fees \$	Other benefits \$	Non-cash benefits \$	Total \$
2015				
Mr Ernst M R van Oeveren	104,417	-	8,353	112,770
Mr Christopher J Yong	32,000	-	-	32,000
	<u>136,417</u>	<u>-</u>	<u>8,353</u>	<u>144,770</u>

(c) Shareholdings

	Balance 1 July 2015	Received as remuneration	Options exercised	Net change others	Balance 30 June 2016
2016					
Dato' Eng Kwong Gan	27,333,320	-	-	-	27,333,320
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	635,000	-	-	13,333,320	13,968,320
Mr Christopher J Yong	55,000	-	-	-	55,000
	<u>40,762,280</u>	<u>-</u>	<u>-</u>	<u>13,333,320</u>	<u>54,095,600</u>

	Balance 1 July 2014	Received as remuneration	Options exercised	Net change others	Balance 30 June 2015
2015					
Dato' Eng Kwong Gan	27,333,320	-	-	-	27,333,320
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	635,000	-	-	-	635,000
Mr Christopher J Yong	55,000	-	-	-	55,000
	<u>40,762,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,762,280</u>

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Note 8: Auditors' remuneration

	Consolidated entity	
	2016	2015
	\$	\$
Remuneration of the auditor of the Parent Entity (Nexia Court & Co) for:		
- auditing or reviewing the financial report	35,900	35,400
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial report of subsidiaries	2,342	2,436

Note 9: Earnings per share

	Consolidated entity	
	2016	2015
	\$	\$
(a) Reconciliation of loss		
Loss	(193,338)	(247,631)
Loss used to calculate basic EPS	(193,338)	(247,631)
Loss used in the calculation of dilutive EPS	(193,338)	(247,631)
(b) 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 dilutive EPS	70,078,300	70,078,300

Note 10: Cash and cash equivalents

	Consolidated entity	
	2016	2015
	\$	\$
Cash at bank and in hand	1,793	26,098
Total cash at bank and in hand	1,793	26,098

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:

	Consolidated entity	
	2016	2015
	\$	\$
Cash and cash equivalents	1,793	26,098
Bank overdrafts (Note 16)	-	(370)
Total cash and cash equivalents	1,793	25,728

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NOTES TO THE FINANCIAL STATEMENTS
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Note 11: Trade and other receivables

	Consolidated entity	
	2016	2015
	\$	\$
CURRENT		
Trade receivables	37,676	41,210
Less: Provision for impairment of receivables	(37,021)	(33,525)
Total trade and other receivables	<u>655</u>	<u>7,685</u>

Note 12: Controlled entities

Controlled entities consolidated	Country of incorporation	Percentage owned (%)*	
		2016	2015
Parent Entity:			
World.Net Services Limited	Australia		
Subsidiaries of World.Net Services Limited:			
World.Net Services (UK) Limited	United Kingdom	100	100
World Net Services Sdn Bhd	Malaysia	100	100

* Percentage of voting power is in proportion to ownership.

Note 13: Plant and equipment

	Consolidated entity	
	2016	2015
	\$	\$
Plant and equipment		
At cost	52,615	54,285
Accumulated depreciation	(50,669)	(51,109)
Net carrying value	<u>1,946</u>	<u>3,176</u>
Leasehold improvements		
At cost	6,120	6,332
Accumulated depreciation	(2,448)	(1,266)
Net carrying value	<u>3,672</u>	<u>5,066</u>
Total plant and equipment	<u>5,618</u>	<u>8,242</u>

	Plant and equipment	Leasehold improvements	Total
	\$	\$	\$
Consolidated entity			
Balance at the beginning of the year	3,176	5,066	8,242
Additions	152	-	152
Depreciation expense	(1,273)	(1,220)	(2,493)
Impact of exchange rate fluctuations	(109)	(174)	(283)
Carrying amount at the end of year	<u>1,946</u>	<u>3,672</u>	<u>5,618</u>

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Note 14: Other assets

	Consolidated entity	
	2016	2015
	\$	\$
CURRENT		
Prepayments	11,909	20,785
Deposits	1,646	1,703
Total other current assets	<u>13,555</u>	<u>22,488</u>

Note 15: Trade and other payables

	Consolidated entity	
	2016	2015
	\$	\$
CURRENT		
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>
NON-CURRENT		
Unsecured liabilities		
Directors' fees payable	130,000	130,000
Total trade and other payables	<u>130,000</u>	<u>130,000</u>

Note 16: Borrowings

	Consolidated entity	
	2016	2015
	\$	\$
CURRENT		
Unsecured liabilities		
Bank overdrafts (Note 10)	-	370
Unsecured loan - interest free*	1,288,010	1,288,010
Total short-term borrowings	<u>1,288,010</u>	<u>1,288,380</u>
NON-CURRENT		
Unsecured liabilities		
Unsecured loans from directors - interest free*	166,060	-
Total short-term borrowings	<u>166,060</u>	<u>-</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. The lender has made a written undertaking that it will not call on any part of this loan within the next 12 months.

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Note 17: Provisions

	Consolidated entity	
	2016	2015
	\$	\$
CURRENT		
Employee entitlements		
Opening balance at beginning of year	83,298	-
Transfer from (to) long-term provisions	-	83,298
Balance at end of the year	<u>83,298</u>	<u>83,298</u>

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 18: Issued capital

	Consolidated entity	
	2016	2015
	\$	\$
70,078,300 (2015: 70,078,300) ordinary shares, fully paid	<u>8,815,101</u>	<u>8,815,101</u>

(a) Ordinary shares

	Number	Number
At the beginning of reporting period	<u>70,078,300</u>	<u>70,078,300</u>
At reporting date	<u>70,078,300</u>	<u>70,078,300</u>

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.

(b) Options

- (i) For information relating to the World.Net Services Limited employee share option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to Note 22.
- (ii) For information relating to share options issued to Executive Directors during the financial year, refer to Note 7.

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Note 19: Reserves

	Consolidated entity	
	2016	2015
	\$	\$
(a) Foreign Currency Translation Reserve		
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary	(52,425)	(86,644)

Note 20: Segment reporting

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.

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

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. World.Net Services (UK) Limited, a wholly owned UK subsidiary of World.Net Services Limited, was dissolved on 9 August 2016.
- Malaysia - develops, provides and sells information technology products and services. It provides services in connection with the implementation, hosting and maintenance and support of its core product Travel.World.Net ('TWN') (an integrated multi-user reservations and distributions system for use by suppliers and buyers of travel and tourism products).

Accounting policies

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

Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes. The accounting policies adopted in the determination of segment information are consistent with those disclosed in Note 3 to the financial statements.

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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.

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)
Loss 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

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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)
Loss 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

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Note 21: Cash flow information

	Consolidated entity	
	2016	2015
	\$	\$
(a) Reconciliation of net cash provided by (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	<u>(224,345)</u>	<u>51,968</u>

(b) Non-cash financing and investing activities

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

Note 22: Share-based payments

Employee Share Plan (ESP) and Employee Share Option Plan (ESOP)

The Parent Entity has adopted an Employee Share Plan (ESP) and an Employee Share Option Plan (ESOP). The ESP and ESOP enable the Board to invite Officers or full-time or part-time employees of the Parent Entity to apply for shares or options over shares. Both employee incentive schemes have been designed to assist in the attraction, retention and motivation of employees by providing them with the opportunity to acquire an equity interest in the Parent Entity.

No shares were issued or options granted under the ESP and ESOP 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.

No shares have been issued by virtue of the exercise of an option granted under the ESOP during the year or to the date of this report, and there are no unissued ordinary shares for which options are outstanding at the date of this report.

Note 23: Events after the balance sheet date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significant 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.

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

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Note 24: 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 and OS Resources Sdn Bhd.

Dato' Eng Kwong Gan also has substantial financial interests in RPB Travel Holding 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, and booking and transaction fees.
- Incurred office maintenance fees for services rendered by OS Resources Sdn Bhd.
- Incurred rental expenditure for office space leased from RPB Travel Holding 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	
	2016	2015
	\$	\$
Aggregate amounts of each of the above types of transactions with Director-related entities:		
Sales and fees revenue from Director-related entities	342,943	337,336
Rent of office premises paid/payable to Director-related entities	-	5,555
Office maintenance fees paid/payable to Director-related entities	1,452	14,126
Secretarial and management fees paid/payable to Director-related entities	399	368
Aggregate amounts receivable from Director-related entities at balance date:		
Trade receivables	655	-
Aggregate amounts payable to Director-related entities at balance date:		
Trade payables, sundry payables and accrued expenses (Note 15)	903,662	847,027

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Wholly-owned group

The wholly-owned group consists of World.Net Services Limited and its wholly-owned controlled entities, World.Net Services (UK) Limited and World Net Services Sdn Bhd. Ownership interests in these controlled entities are set out in Note 12.

Transactions between World.Net Services Limited and other entities in the wholly-owned group during the years ended 30 June 2015 and 30 June 2016, consisted of loans advanced by/to World.Net Services Limited and loans repaid by/to World.Net Services Limited.

	Parent entity	
	2016	2015
	\$	\$
Aggregate amounts payable to entities in the wholly-owned group at balance date:		
Current payables (loans from controlled entities)	1,237,863	1,206,640

Ownership interest in related parties

Interests held in the controlled entities are set out in Note 12.

Note 25: 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.

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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 25(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 25(a)(vi) for a sensitivity analysis of the Company's exposure to foreign currency risk.

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.

In the event that forecast cash flows do not materialise, the Consolidated Entity has the option to call 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.

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.

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(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 2-5 Years (\$)		Total \$	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Financial assets										
Cash and cash equivalents	-	-	-	-	1,793	26,098	-	-	1,793	26,098
Receivables			-	-	655	7,685	-	-	655	7,685
Total financial assets			-	-	2,448	33,783	-	-	2,448	33,783
Financial liabilities										
Trade and sundry creditors			-	-	1,199,093	1,248,556	130,000	130,000	1,329,093	1,378,556
Other loans and bank overdrafts			-	-	1,454,070	1,288,380	-	-	1,454,070	1,288,380
Total financial liabilities			-	-	2,653,163	2,536,936	130,000	130,000	2,783,163	2,666,936

(iv) Net fair values

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

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(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.

The Consolidated Entity's receivables mainly comprise amounts owed by public sector organisations, most of which are longstanding customers.

The Consolidated Entity has recognised a \$37,021 provision for impairment of receivables, representing 98% of the aggregate gross carrying amount of receivables. \$37,021 of receivables are past due, representing 98% of the aggregate gross carrying amount of receivables. However, as mentioned above, the Consolidated Entity has recognised a \$37,021 (98%) provision for impairment. The largest single receivable is \$19,570, representing 52% of the aggregate gross carrying amount of receivables. There are three other receivables that exceed 10% of the aggregate gross carrying amount.

There are no material amounts of collateral held as security at 30 June 2016.

Current trade and sundry creditors and accrued expenses of \$1,199,093 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 \$1,288,010 comprises an interest-free loan from one of the Company's major shareholders, and long-term borrowings of \$166,060 comprises an interest-free loan from one of the Company's directors. Although there are no fixed terms for the repayment of these loans, the Company has received undertakings from the lenders confirming that they will not call on any part of these loans within the next 12 months, and that they will continue to support the operations of the Company so that it can continue as a going concern.

(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 2016, 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) and British Pound (GBP), with all other variables remaining constant would be as follows:

	Consolidated entity	
	2016	2015
	\$	\$
<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 and GBP by 10%	-10,000	-12,000
Decline in AUD to MYR and GBP by 10%	8,000	12,000
<i>Change in equity</i>		
Improvement in AUD to MYR and GBP by 10%	-158,000	-152,000
Decline in AUD to MYR and GBP by 10%	158,000	152,000

WORLD.NET SERVICES LIMITED (ABN: 77 072 392 673)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

(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 26: Parent entity disclosure

	Parent entity	
	2016	2015
	\$	\$
Financial position:		
Assets		
Current assets	610,205	615,360
Total assets	610,205	615,360
Liabilities		
Current liabilities	2,816,500	2,875,066
Non-current liabilities	289,412	130,000
Total liabilities	3,105,912	3,005,066
Equity		
Issued capital	8,815,101	8,815,101
Accumulated losses	(11,310,808)	(11,204,807)
Total equity	(2,495,707)	(2,389,706)
Financial performance:		
Loss for the year	(106,001)	(129,338)
Other comprehensive income	-	-
Total comprehensive loss	(106,001)	(129,338)

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)
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 Group's financial position as at 30 June 2016 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 group will be able to pay their debts as and when they become due and payable, with continued financial support of major shareholders; and
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 2016, comply with section 300A of the *Corporations Act 2001*.

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 29th day of September 2016

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF WORLD.NET SERVICES LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of World.Net Services Limited, which comprises the statement of financial position as at 30 June 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls 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 note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the consolidated financial report of World.Net Services Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Sydney Office

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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF WORLD.NET SERVICES LIMITED
(CONTINUED)**

Report 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 2016. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of World.Net Services Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Significant uncertainty regarding continuation as a going concern

We draw attention to Note 2(f) of the financial statements "Going Concern". The financial statements have been prepared on the basis that the company is a going concern. The consolidated entity has sustained a net loss of \$193,338 and negative EBITDA of \$190,580. The consolidated entity currently has a deficiency in net assets of \$2,844,840. The company has budgeted to continue operating to 30 September 2017 however these are based on events that have yet to occur and as a result are uncertain.

The major shareholder of the company has represented that he will continue to financially support the company to enable it to continue as a going concern for at least twelve months. Additionally the major creditor of the company has represented that they will not call on their loan for the next twelve months.

If the positive cash flows do not eventuate or the support does not occur it may require the company to obtain other forms of financial support to enable the company to pay its debts as and when they fall due or realize assets or extinguish liabilities outside of the normal course of business. Hence there exists a significant uncertainty as to whether the company can continue as a going concern.

A handwritten signature in dark ink that reads "Nexia Court & Co".

Nexia Court & Co
Chartered Accountants

A handwritten signature in dark ink, appearing to be "AH", followed by a long horizontal line.

Andrew Hoffmann
Partner

Sydney
Dated: 30 September 2016

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

1. Shareholding

The shareholder information set out below was applicable as at 23 September 2016.

(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	74
100,001 - and over	31
	<u>244</u>

Number of holders holding less than a marketable parcel of securities	188
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(b) Substantial shareholders

The substantial shareholders in the Company are:

Shareholder	Number of ordinary shares
Reliance Holdings Sdn Berhad ¹	27,468,320
Travel World Dot Net Sdn Berhad ¹	27,468,320
Dato' Gan Eng Kwong ¹	27,333,320
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
Lintiaan Investments Limited ²	11,113,280
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, Dato' Gan Eng Kwong, Reliance Pacific Berhad (and each of its subsidiaries), RPB Holdings (Overseas) Limited and Xplonet Investments Limited have a relevant interest in 13,333,320 ordinary shares registered to Travel World Dot Net Sdn Berhad, 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.

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	Mr Lachlan White McKerrow	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:

Level 14
309 Kent Street
Sydney NSW 2000

Telephone: (02) 9261 8255

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