

Annual Report 2010



WORLD.NET

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On behalf of the directors and management of World.Net, I would like to present to you our tenth Annual Report.

This year the Company was significantly impacted by the global financial crisis, with the loss of a number of key accounts, and further reductions in project expenditure from existing clients. Also, the global crisis impacted our commercialisation plans for our new Aggregator solution. As a consequence of these factors, total revenue dropped by 21%. The Company conducted a further restructuring exercise, reducing manpower and operating costs in our operational centres in Australia, Malaysia and the United Kingdom.

The Company also realigned business to focus on our Plan Your Own Travel (PYO) project, which provides a suite of B2B and B2C travel portal solutions. PYO has performed well against the trend and shown significant growth in booking transactions throughout the past 12 months, notwithstanding the economic downturn.

During 2009 the Company has invested significant development effort into implementing the next generation of the PYO portal technology platform, and in August, launched a suite of new PYO Travel sites. The new sites deliver a significant upgrade for PYO, offering a broader range of online services, simpler and more elegant user interface design, and incorporating a range of the new generation Web 2.0 capabilities. Consumer response to the new sites has been positive, and importantly, PYO experienced a jump in booking volume. We are currently in the process of integrating our Aggregator product into the new PYO sites, which will dramatically increase the breadth of products that PYO can offer, especially outside of Asia, in Europe, the USA and Australasia.

The Company expects that with the projected growth of the PYO online business, by the end of the current financial year PYO will become the main revenue centre for the Company. Notwithstanding this, our UK DMS operations again this year have been solid, and continue as an important component of World.Net's business.

On behalf of the Board, I would like to thank all our investors and shareholders for their continued support and commitment to World.Net's vision for travel automation systems. Your ongoing confidence and support, in addition to the commitment of our management and staff, ensure that the company will continue the trend towards profitability, and the delivery of improved shareholder value.



**Dato' Gan Eng Kwong, Chairman**



## Review of Operations

A review of operations and the results of those operations are set out on pages 2 and 3.

- Sales were down 38% when compared with the previous financial year - from \$664,120 to \$410,227.
- Other revenue was down 37% when compared with the previous financial year - from \$82,836 to \$52,463.
- Operating expenditure was down 26% when compared with the previous financial year - from \$781,810 to \$577,596.
- EBITDA dropped by \$80,052 when compared with the previous financial year - from a \$34,854 loss to a \$114,906 loss.

	2011	2010	2009
	\$	\$	\$
Sales and fees revenue	410,227	664,120	1,235,274
Other revenue (excluding interest)	52,463	82,836	101,992
Total revenue (excluding interest)	462,690	746,956	1,337,266
Less: Operating expenses	(577,596)	(781,810)	(1,780,681)
EBITDA	(114,906)	(34,854)	(443,415)
Less: Depreciation, amortisation and impairment losses	(7,287)	(7,835)	(1,560,385)
EBIT	(122,193)	(42,689)	(2,003,800)
Add (less): Net interest income (expense)	(2,211)	(473)	(2,846)
Loss before tax	(124,404)	(43,162)	(2,006,646)
Less: Income tax expense	-	-	-
Loss after tax	(124,404)	(43,162)	(2,006,646)



Sales continued to drop as a result of World.Net's withdrawal from the UK DMS business, and although the Consolidated Entity continued to reduce operating expenditure, EBITDA and the bottom-line still dropped slightly in comparison with the previous financial year.

This year World.Net has continued to focus on PYO Travel as the commercial and technical framework for rebuilding the Company, following our withdrawal from the UK DMS business. Accordingly, revenue has dropped as the final UK contracts ended in May 2011.

Staff levels have remained relatively constant, at 13 permanent and 3 part-time staff.

Our PYO Travel project has continued to grow, with the release of new sites and many new features enabling improvements to the online experience of our cliental. Accordingly bookings are continuing to increase.

- Some of the new PYO features include:
- Partnership with Chartis travel insurance, offering bookers with the option to add travel insurance to their packages.
- Integration with GTA Travel and iTank to provide thousands of new hotels for sale through PYO.
- Private flights engine, supporting the sale of non-schedule carriers, such as Air Asia.
- Integration with FireFly, Malaysian Airlines' low-cost carrier.
- Group travel deals for holiday packages.
- New back-office integration module.
- Improved supply chain modelling and automation.

We are continuing to develop new system capabilities, including a new Coupon module, which will allow coupon deals to be sold and redeemed through a single integrated site.

In addition to technical advances, the Company's new operations outsourcing team, which was announced last year, has been a success. The team has improved productivity of data loading and maintenance of products, rates and inventory, with significant gains in turn-a-round time and data accuracy.

World.Net will continue to focus on PYO for the next 12 months, as we together build on the successes of the last 12 months.

Ernst M R van Oeveren, Director (CEO)

### Information on Directors

The names of the Directors and the details of their qualifications, experience and special responsibilities are set out in pages 4 and 5.

At the date of this report, the Directors' direct and indirect interests in the ordinary shares of World.Net Services Limited were as follows:

#### Name of Director Number of ordinary shares

Dato' Eng Kwong Gan	27,333,320
Mr Ernst M R van Oeveren	8,633,320
Mr James A Norriss	4,105,640
Mr Swe Cheong Thong	635,000
Mr Christopher J Yong	35,000



## CHAIRMAN

**Dato' Gan Eng Kwong, Chairman**  
(Non-executive)

Dato' Gan has been a director of Reliance Pacific Berhad and its related bodies corporate (Reliance Group) and their predecessors since 1974 and was appointed the Chairman of Reliance Pacific Berhad, a publicly listed company in Malaysia, on 12 August 1993.

Dato' Gan has had more than 30 years 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.

## EXECUTIVE DIRECTOR

**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.





## NON-EXECUTIVE DIRECTORS

### **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.

### **Thong Swe Cheong, Non-Executive Director**

B.Com, CA, MIA, MACPA

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

Swe Cheong is the Financial Advisor of Reliance Pacific Berhad and its related bodies corporate (Reliance Group) and has been with the Reliance Group since 1982. 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.

### **Christopher J Yong, Non-executive Director**

BCom, MCom, CA, CPA, MAICD, AIMM, FFin, NTAAP, ATIA, 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 the Institute of Chartered Accountants in Australia (ICAA), CPA Australia, the Australian Institute of Company Directors (AICD), the Australian Institute of Management (AIM), a Fellow of the Financial Services Institute of Australasia (Finsia) and the National Tax & Accountants' Association (NTAA), an associate member of the Taxation Institute of Australia (TIA), an affiliate member of Chartered Secretaries Australia (CSA), a Registered Tax Agent, and a Justice of the Peace.

Annual Financial Report  
For The Year Ended  
30 June 2010

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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 2011, 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 (appointed on 26 October 2005)

#### 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 \$124,404 (2010: \$43,162).

#### 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.

### 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.

### 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.

### 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.

## REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of World.Net Services Limited and for the Executives receiving the highest remuneration.

### Remuneration Policy

The remuneration policy of World.Net Services Limited has been designed to align Director and Executive 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 Board Members and senior Executives 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 the government, which is currently 9%, 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 Directors and Executives is valued at the cost to the Company and expensed.

The Board policy is to remunerate Non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. 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.

## Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Directors and Executives. 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 for the Year Ended 30 June 2011

The remuneration for key management personnel during the year was as follows:

	2011 Salary & Fees	2011 Superannuation Contributions	2011 Total	2010 Salary & Fees	2010 Superannuation Contributions	2010 Total
	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
Mr Ernst M R van Oeveren	70,826	-	70,826	64,666	-	64,666
Mr Christopher J Yong*	24,000	-	24,000	-	-	-
	94,826	-	94,826	88,666	-	88,666

\* Paid/payable to Reset Group Pty Ltd.

### Performance Income as a Proportion of Total Remuneration

Executive Directors and Executives may be paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This will lead to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Consolidated Entity. The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

### Options Issued as Part of Remuneration for the Year Ended 30 June 2011

From time to time, options are issued to Directors and Executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of Directors and Executives 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

### 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.

### 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 2011, 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.

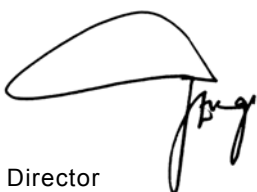
### Non-audit Services

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2011.

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 12.

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



Director  
**Dato' Eng Kwong Gan**

Dated this 30th day of September 2011



The Board of Directors  
World.Net Services Limited  
Level 3, 171 Clarence Street  
Sydney NSW 2000

30 September 2011

Dear Board Members

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

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of World.Net Services Limited.

As lead audit partner for the audit of the financial statements of World.Net Services Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

A handwritten signature in black ink that reads "Nexia Court &amp; Co."

**Nexia Court & Co**  
*Chartered Accountants*

A handwritten signature in black ink that reads "David Gallery".

**David Gallery**  
*Partner*

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. 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 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.

## 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:

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

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.

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 2.1).

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 2.2).

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 2.4).

### 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 3.2).

The Company's female representation is as follows:

- Proportion of female employees in the whole Company: 45%
- 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).

### 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](http://www.world.net)), where the most recent company announcements, media briefings, press releases and financial reports are available.

### 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.

- 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.

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 7.2).

### 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).

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

		<b>Consolidated Entity</b>	
		<b>2011</b>	<b>2010</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Continuing Operations</b>			
Revenue	4	410,227	664,120
Cost of sales		(20,353)	(60,696)
<b>Gross profit</b>		<b>389,874</b>	<b>603,424</b>
Other income	4	52,463	82,836
Employee benefits expense		(354,004)	(486,796)
Depreciation and amortisation expense		(7,287)	(7,835)
Rental expense	5	(24,281)	(43,118)
Professional fees expense		(53,327)	(44,574)
Sales and marketing expense		(50,669)	(49,946)
General and administrative expense		(63,888)	(71,529)
Other expenses		(11,074)	(25,151)
<b>Loss from continuing operations</b>		<b>(122,193)</b>	<b>(42,689)</b>
Finance income	4	73	726
Finance costs	5	(2,284)	(1,199)
<b>Net financing income (costs)</b>		<b>(2,211)</b>	<b>(473)</b>
<b>Loss before income tax</b>		<b>(124,404)</b>	<b>(43,162)</b>
Income tax expense	6	-	-
<b>Loss attributable to members of the parent entity</b>		<b>(124,404)</b>	<b>(43,162)</b>
<b>Other Comprehensive Income</b>			
Exchange differences on translating foreign controlled entities		44,931	(13,529)
<b>Total comprehensive loss attributable to members of the parent entity</b>		<b>(79,473)</b>	<b>(56,691)</b>
<b>Continuing and Overall Operations</b>			
Basic earnings per share (cents per share)	9	(0.2)	(0.1)
Diluted earnings per share (cents per share)	9	(0.2)	(0.1)

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

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

		Consolidated Entity	
		2011	2010
	Note	\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	10	27,113	21,891
Trade and other receivables	11	18,670	18,527
Other current assets	14	7,763	30,636
Total current assets		<u>53,546</u>	<u>71,054</u>
<b>Non-Current Assets</b>			
Plant and equipment	13	14,326	16,838
Total non-current assets		<u>14,326</u>	<u>16,838</u>
<b>Total Assets</b>		<u><b>67,872</b></u>	<u><b>87,892</b></u>
<b>Current Liabilities</b>			
Trade and other payables	15	339,313	254,995
Short-term borrowings	16	2,107,392	-
Total current liabilities		<u>2,446,705</u>	<u>254,995</u>
<b>Non-Current Liabilities</b>			
Trade and other payables	15	259,577	259,577
Long-term borrowings	16	-	2,132,257
Long-term provisions	17	83,298	83,298
Total non-current liabilities		<u>342,875</u>	<u>2,475,132</u>
<b>Total Liabilities</b>		<u><b>2,789,580</b></u>	<u><b>2,730,127</b></u>
<b>Net Assets</b>		<u><b>(2,721,708)</b></u>	<u><b>(2,642,235)</b></u>
<b>Equity</b>			
Issued capital	18	8,815,101	8,815,101
Reserves	19	(36,615)	(81,546)
Accumulated losses		<u>(11,500,194)</u>	<u>(11,375,790)</u>
Total parent entity interest		<u>(2,721,708)</u>	<u>(2,642,235)</u>
<b>Total Equity</b>		<u><b>(2,721,708)</b></u>	<u><b>(2,642,235)</b></u>

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$
<b>Consolidated Entity</b>				
<b>Balance at 1 July 2009</b>	8,815,101	(11,332,628)	(68,017)	(2,585,544)
Loss attributable to members of parent entity		(43,162)		(43,162)
Adjustments from translation of foreign controlled entities			(13,529)	(13,529)
<b>Balance at 30 June 2010</b>	<b>8,815,101</b>	<b>(11,375,790)</b>	<b>(81,546)</b>	<b>(2,642,235)</b>
Loss attributable to members of parent entity		(124,404)		(124,404)
Adjustments from translation of foreign controlled entities			44,931	44,931
<b>Balance at 30 June 2011</b>	<b>8,815,101</b>	<b>(11,500,194)</b>	<b>(36,615)</b>	<b>(2,721,708)</b>

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

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Entity	
		2011	2010
		\$	\$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		554,839	756,756
Interest received		73	726
Government grants and incentives received		40,098	79,790
Other revenue received		6,925	29
Payments to suppliers and employees		(587,722)	(1,079,992)
Finance costs		(2,284)	(1,199)
<b>Net cash provided by (used in) operating activities</b>	23(a)	<b>11,929</b>	<b>(243,890)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of plant and equipment		(6,707)	(2,954)
<b>Net cash used in investing activities</b>		<b>(6,707)</b>	<b>(2,954)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		-	179,900
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>179,900</b>
<b>Net increase (decrease) in cash held</b>		<b>5,222</b>	<b>(66,944)</b>
Cash and cash equivalents at beginning of financial year		21,891	88,835
<b>Cash and cash equivalents at end of financial year</b>	10	<b>27,113</b>	<b>21,891</b>

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

## FOR THE YEAR ENDED 30 JUNE 2011

### Note 1: Reporting Entity

World.Net Services Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Suite 505, Level 5, 235 Clarence Street, Sydney NSW 2000. The consolidated financial statements of the Company as at the end of the year ended 30 June 2011, 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 30 September 2011.

#### (b) Basis of Measurement

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

#### (c) 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.

#### (d) 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 Note 2(e) and Note 18.

#### (e) Going Concern

The Consolidated Entity recorded a negative EBITDA of \$443,415 and a loss after tax of \$2,006,646 for the year ended 30 June 2009. The Consolidated Entity had a deficiency in net assets of \$2,585,544. The Consolidated Entity had cash of \$88,835 and budgeted positive cash flow from operations for the period to 30 June 2010, sufficient to fund the costs of operations.

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

In the event that the forecasted cash flows do not materialise in the short term, the Directors are confident that they will be able to obtain funding to enable the continuation of operations until sales reach a volume that will ensure continued profitability and positive cash flows. In this event, the Consolidated Entity will be required to rely on the

financial support of its major shareholder and its major creditor. The Directors have received confirmations from both of these parties, stating that they will continue to support the operations of the business so that it can continue as a going concern.

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

### Note 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 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.

#### **Depreciation**

The depreciable amount of all fixed assets is depreciated on a diminishing value 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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>	<b>Method</b>
Leasehold improvements	20%	Diminishing value
Plant and equipment	20%-40%	Diminishing value

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 comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### **(d) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Consolidated Entity are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a diminishing value basis over their estimated useful lives. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term

#### **(e) 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.

##### **Held-to-maturity investments**

These investments have fixed maturities, and it is the Consolidated Entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the Consolidated Entity are stated at amortised cost using the effective interest rate method.

##### **Available-for-sale financial assets**

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**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.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

**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 income statement.

**(f) 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 income statement.

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.

**(g) Intangibles****Patents and trademarks**

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life, which has been assessed as ten years.

**Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

**(h) 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 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 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 comprehensive income in the period in which the operation is disposed.

#### **(i) 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 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 payable later than 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 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.

#### **(j) 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.

#### **(k) 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.

#### **(l) 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).

**(m) 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.

**(n) 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.

**(o) Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

**(p) New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Consolidated Entity has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the Consolidated Entity:

**(p) New Standards and Interpretations Not Yet Effective**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

Standard name	Effective date for entity	Requirements	Impact
AASB 124 Related Party Disclosures and amending standard AASB 200912	30 June 2012	<ul style="list-style-type: none"><li>• Clarification of the definition of a related party.</li><li>• Requirement to disclose commitments to related parties.</li><li>• Disclosure exemptions for governmentrelated entities.</li></ul>	Minimal impact expected.
AASB 9 Financial Instruments and amending standards AASB 200911 / AASB 20107	30 June 2014	<ul style="list-style-type: none"><li>• Changes to the classification and measurement requirements for financial assets and financial liabilities.</li><li>• New rules relating to derecognition of financial instruments.</li></ul>	The impact of AASB 9 has not yet been determined.
AASB 20104 / 20105 Amendments and further amendments to Australian Accounting Standards arising from the Annual Improvements Project	30 June 2012	Makes changes to a number of standards / interpretations including: <ul style="list-style-type: none"><li>• Clarification of the content of the statement of changes in equity.</li><li>• Financial instrument disclosures.</li><li>• Fair value of award credits.</li></ul>	No impact expected.
AASB 20106 Amendment to Australian Accounting Standards – Disclosures on transfers of financial assets	30 June 2012	<ul style="list-style-type: none"><li>• Requires additional disclosures regarding for example, remaining risks where an entity has transferred a financial asset.</li></ul>	No impact expected.
AASB 20108 Amendment to Australian Accounting Standards – Deferred tax: Recovery of underlying assets	30 June 2013	<ul style="list-style-type: none"><li>• Adds a presumption to AASB 112 that the recovery of the carrying amount of an investment property at fair value will be through sale.</li></ul>	No impact expected.

Standard name	Effective date for entity	Requirements	Impact
AASB 10 Consolidated Financial Statements / AASB 11 Joint Arrangements / AASB 12 Disclosures of Interests in Other Entities, AASB 127 Separate Financial Statements and AASB 128 Investments in Associates. [These are expected to be released by the AASB in June / July].	30 June 2014	<ul style="list-style-type: none"> <li>AASB 10 includes a new definition of control, which is used to determine which entities are consolidated, and describes consolidation procedures.</li> <li>The Standard provides additional guidance to assist in the determination of control where this is difficult to assess.</li> <li>AASB 11 focuses on the rights and obligations of a joint venture arrangement, rather than its legal form (as is currently the case). IFRS 11 requires equity accounting for joint ventures, eliminating proportionate consolidation as an accounting choice.</li> <li>AASB 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.</li> </ul>	<p>The Consolidated Entity will review its controlled entities to determine whether they should be consolidated under AASB 10, no changes are anticipated.</p> <p>Additional disclosures will be required under AASB 12 but there will be no changes to reported position and performance.</p>
AASB 13 Fair Value Measurement	30 June 2014	<ul style="list-style-type: none"> <li>AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted.</li> <li>There are a number of additional disclosure requirements.</li> </ul>	<p>Fair value estimates currently made by the entity will be revised and potential changes to reported values may be required.</p> <p>The entity has not yet determined the magnitude of any changes which may be needed.</p> <p>Some additional disclosures will be needed.</p>



**Note 4: Revenue from Continuing Operations**

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Services revenue	410,227	664,120
<b>Finance income</b>		
Interest received	73	726
<b>Other income</b>		
Government grants and incentives received	40,098	79,790
Foreign exchange gains	5,440	3,046
Other revenue	6,925	-
	52,463	82,836
Total revenue from continuing operations	462,763	747,682

**Note 5: Expenses**

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Finance costs: Other persons	2,284	1,199
Foreign exchange losses	319	2,331
Bad and doubtful debts: Trade receivables	148	-
Rental expense on operating leases: Minimum lease payments	24,281	43,118
Superannuation, pension and EPF contributions	22,929	26,725

**Note 6: Income Tax Expense**

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
(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% (2010: 30%)	(37,321)	(12,949)
Add:		
Tax effect of:		
- software development claimed under R&D tax offset	-	23,790
	(37,321)	10,841
Less:		
- non-assessable R&D tax offset	12,029	23,937
- effect of overseas tax rates on overseas income	(7,127)	397
Current year deferred tax asset not brought to account	(42,223)	(13,493)
Income tax attributable to parent entity	-	-
(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	2,483,448	3,551,940

**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**

	<b>Salary and Fees</b>	<b>Superannuation Contributions</b>	<b>Non-cash Benefits</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2011</b>				
Mr Ernst M R van Oeveren	70,826	-	-	70,826
Mr Christopher J Yong	24,000	-	-	24,000
	94,826	-	-	94,826

	Salary and Fees \$	Superannuation Contributions \$	Non-cash Benefits \$	Total \$
<b>2010</b>				
Mr Ernst M R van Oeveren	64,666	-	-	64,666
Mr Christopher J Yong	24,000	-	-	24,000
	88,666	-	-	88,666

**(c) Shareholdings**

	Balance 1 July 2010	Received as Remuneration	Options Exercised	Net Change Others	Balance 30 June 2011
<b>2011</b>					
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	35,000	-	-	-	35,000
	40,742,280	-	-	-	40,742,280

There were no changes in the shareholdings of the above Directors during the year ended 30 June 2010.

**Note 8: Auditors' Remuneration**

	Consolidated Entity	
	2011 \$	2010 \$
Remuneration of the auditor of the Parent Entity (Nexia Court & Co) for:		
- auditing or reviewing the financial report	38,500	35,500
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial report of subsidiaries	7,457	8,765

**Note 9: Earnings Per Share**

	Consolidated Entity	
	2011 \$	2010 \$
(a) Reconciliation of loss		
Loss	(124,404)	(43,162)
Loss used to calculate basic EPS	(124,404)	(43,162)
Loss used in the calculation of dilutive EPS	(124,404)	(43,162)
	Number	Number
(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**

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	27,113	21,891
	<u>27,113</u>	<u>21,891</u>

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:

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	27,113	21,891
	<u>27,113</u>	<u>21,891</u>

**Note 11: Trade and Other Receivables**

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Trade receivables	35,931	102,784
Provision for impairment of receivables	(24,303)	(91,836)
Net carrying value	<u>11,628</u>	<u>10,948</u>
Other receivables	7,042	7,579
	<u>18,670</u>	<u>18,527</u>

**Note 12: Controlled Entities**

<b>Controlled Entities Consolidated</b>	<b>Country of Incorporation</b>	<b>Percentage Owned (%)*</b>	
		<b>2011</b>	<b>2010</b>
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**

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Plant and equipment</b>		
At cost	148,148	164,124
Accumulated depreciation	(134,321)	(148,010)
	<u>13,827</u>	<u>16,114</u>
<b>Leasehold improvements</b>		
At cost	1,860	2,160
Accumulated depreciation	(1,361)	(1,436)
	<u>499</u>	<u>724</u>
<b>Total plant and equipment</b>	<u>14,326</u>	<u>16,838</u>

	<b>Plant and Equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Consolidated Entity</b>			
Balance at the beginning of the year	16,114	724	16,838
Additions	6,707	-	6,707
Impact of exchange rate fluctuations	(1,837)	(95)	(1,932)
Depreciation expense	(7,157)	(130)	(7,287)
Carrying amount at the end of year	<u>13,827</u>	<u>499</u>	<u>14,326</u>

**Note 14: Other Assets**

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Prepayments	2,288	12,139
Deposits	<u>5,475</u>	<u>18,497</u>
<b>Total other current assets</b>	<u>7,763</u>	<u>30,636</u>

**Note 15: Trade and Other Payables**

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
<b>Unsecured Liabilities</b>		
Trade payables	265,430	187,095
Sundry payables and accrued expenses	73,883	67,900
Total trade and other payables	<u>339,313</u>	<u>254,995</u>
<b>NON-CURRENT</b>		
<b>Unsecured Liabilities</b>		
Sundry payables	<u>259,577</u>	<u>259,577</u>
Total trade and other payables	<u>259,577</u>	<u>259,577</u>

**Note 16: Borrowings**

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
<b>Unsecured Liabilities</b>		
Unsecured loan - interest free*	<u>2,107,392</u>	-
Total short-term borrowings	<u>2,107,392</u>	-
<b>NON-CURRENT</b>		
<b>Unsecured Liabilities</b>		
Unsecured loan - interest free*	-	<u>2,132,257</u>
Total long-term borrowings	-	<u>2,132,257</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.

**Note 17: Provisions**

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
<b>Employee Entitlements</b>		
Opening balance at beginning of year	-	3,589
Amounts used	-	<u>(3,589)</u>
Balance at end of the year	-	-
<b>NON CURRENT</b>		
<b>Employee Entitlements</b>		
Opening balance at beginning of year	83,298	113,493
Amounts used	-	<u>(30,195)</u>

**Analysis of Total Provisions**

Current	-	-
Non-current	83,298	83,298
	83,298	83,298

**Provision for Employee Entitlements**

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

**Note 18: Issued Capital**

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
70,078,300 (2010: 70,078,300) ordinary shares, fully paid	8,815,101	8,815,101

**(a) Ordinary Shares**

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

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

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

**(b) Options**

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 24.

For information relating to share options issued to Executive Directors during the financial year, refer to Note 7.

**Note 19: Reserves**

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
(a) Foreign Currency Translation Reserve		
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary	(36,615)	(81,546)

## Note 20: Capital and Leasing Commitments

	Consolidated Entity	
	2011	2010
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	18,254	21,182
- between 12 months and 5 years	-	21,182
	<u>18,254</u>	<u>42,364</u>

## Note 21: Contingent Liabilities

No material losses are anticipated in respect of the above contingent liability.

## Note 22: Segment Reporting

### Primary Reporting - Geographical Segments

2011	Australia \$	UK \$	Malaysia \$	Intersegment Elim/Unalloc (\$)	Consolidated \$
External sales	38,913	72,551	298,763	-	410,227
Other segments	-	-	68,967	(68,967)	-
Total sales revenue	<u>38,913</u>	<u>72,551</u>	<u>367,730</u>	<u>(68,967)</u>	<u>410,227</u>
Other revenue	40,327	7,159	-	5,050	52,536
Total revenue	<u>79,240</u>	<u>79,710</u>	<u>367,730</u>	<u>(63,917)</u>	<u>462,763</u>
Segment result	<u>(53,337)</u>	<u>2,087</u>	<u>(73,154)</u>	<u>-</u>	<u>(124,404)</u>
Unallocated revenue less unallocated expenses					-
Loss before income tax expense					(124,404)
Income tax expense					-
Loss after income tax					<u>(124,404)</u>
Loss from extraordinary items after income tax expense					-
Net loss					<u>(124,404)</u>
Segment assets	<u>18,921</u>	<u>3,567</u>	<u>45,384</u>		<u>67,872</u>
Unallocated assets					-
Total assets					<u>67,872</u>
Segment liabilities	<u>2,613,416</u>	<u>1,254,363</u>	<u>361,683</u>	<u>(1,439,882)</u>	<u>2,789,580</u>
Unallocated liabilities					-
Total liabilities					<u>2,789,580</u>
Acquisitions of non-current segment assets	<u>-</u>	<u>-</u>	<u>6,707</u>	<u>-</u>	<u>6,707</u>

<b>2010</b>	<b>Australia</b>	<b>UK</b>	<b>Malaysia</b>	<b>Intersegment</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>Elim/Unalloc (\$)</b>	<b>\$</b>
External sales	134,433	306,636	223,051	-	664,120
Other segments	-	-	185,965	(185,965)	-
Total sales revenue	134,433	306,636	409,016	(185,965)	664,120
Other revenue	80,409	136	-	3,017	83,562
Total revenue	214,842	306,772	409,016	(182,948)	747,682
Segment result	(39,876)	14,024	(17,310)	-	(43,162)
Unallocated revenue less unallocated expenses					-
Loss before income tax expense					(43,162)
Income tax expense					-
Loss after income tax					(43,162)
Loss from extraordinary items after income tax expense					-
Net loss					(43,162)
Segment assets	(155,266)	28,609	30,867	183,682	87,892
Unallocated assets					-
Total assets					87,892
Segment liabilities	2,385,891	1,487,249	317,625	(1,460,638)	2,730,127
Unallocated liabilities					-
Total liabilities					2,730,127
Acquisitions of non-current segment assets	-	-	2,954	-	2,954
Depreciation and amortisation of segment assets	-	-	7,835	-	7,835

### Secondary Reporting - Business Segments

The Consolidated Entity, during the year, operated predominantly in one business segment, being the development, provision and sale of information technology products and services. The Consolidated Entity's core products are (a) Travel.World.Net or TWN (an integrated multi-user reservations and distribution system for use by suppliers and buyers of travel and tourism product); (b) ROSTA2000 or R2K (a sophisticated labour management rostering system). The Consolidated Entity provides services in connection with the implementation, hosting and maintenance and support of its core 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.

### 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.

2009	Australia \$	UK \$	Malaysia \$	Intersegment Elim/Unalloc (\$)	Consolidated \$
External sales	408,575	562,006	264,692	-	1,235,273
Other segments	-	-	638,751	(638,751)	-
Total sales revenue	408,575	562,006	903,443	(638,751)	1,235,273
Other revenue	89,283	2,363	-	11,261	102,907
Total revenue	497,858	564,369	903,443	(627,490)	1,338,180
Segment result	(3,435,431)	(463,200)	(358,497)	2,250,482	(2,006,646)
Unallocated revenue less unallocated expenses					-
Loss before income tax expense					(2,006,646)
Income tax expense					-
Loss after income tax					(2,006,646)
Loss from extraordinary items after income tax expense					-
Net loss					(2,006,646)
Segment assets	15,875	157,191	55,628	-	228,694
Unallocated assets					-
Total assets					228,694
Segment liabilities	2,517,155	1,878,987	320,740	(1,902,644)	2,814,238
Unallocated liabilities					-
Total liabilities					2,814,238
Acquisitions of non-current segment assets	-	-	14,030	-	14,030
Depreciation and amortisation of segment assets	573,123	46,769	66,278	-	686,170
Other non-cash segment expenses - impairment losses	2,750,489	110,528	263,680	(2,250,482)	874,215

## Secondary Reporting - Business Segments

The Consolidated Entity, during the year, operated predominantly in one business segment, being the development, provision and sale of information technology products and services. The Consolidated Entity's core products are (a) Travel.World.Net or TWN (an integrated multi-user reservations and distribution system for use by suppliers and buyers of travel and tourism product); (b) ROSTA2000 or R2K (a sophisticated labour management rostering system). The Consolidated Entity provides services in connection with the implementation, hosting and maintenance and support of its core 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.

## 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.

**Note 23: Cash Flow Information**

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Reconciliation of Net Cash Used in Operating Activities with Loss After Income Tax</b>		
Loss after income tax	(124,404)	(43,162)
Cash flows excluded from loss attributable to operating activities:		
Non-cash flows in loss		
Amortisation and depreciation	7,287	7,835
Impairment losses	-	-
Net foreign exchange (gains) losses	21,998	(13,496)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase) decrease in trade and term receivables	(143)	54,779
Decrease in deposits and prepayments	22,873	14,165
Increase (decrease) in trade payables and accruals	84,318	(230,227)
Decrease in provisions	-	(33,784)
Net cash provided by (used in) operating activities	11,929	(243,890)

**(b) Non-cash Financing and Investing Activities**

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

**Note 24: 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 25: 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.

## Note 26: Related Party Transactions

### Transactions with Director-related Entities

Dato' Eng Kwong Gan and Swe Cheong Thong have substantial financial interests in the following entities:

- PYO Travel (MY) Sdn Bhd.
- Vacation Asia International Sdn Bhd.

Dato' Eng Kwong Gan also has substantial financial interests in the following entities:

- Relvest Management Services Sdn Bhd.
- RPB Development Sdn Bhd.
- Traveleasi 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, maintenance fees, and booking and transaction fees.
- Incurred rental expenditure for office space leased from RPB Development Sdn Bhd and Traveleasi Sdn Bhd.
- Incurred rental expenditure for equipment leased from Vacation Asia International 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	
	2011	2010
	\$	\$
Aggregate amounts of each of the above types of transactions with Director-related entities:		
Sales and fees revenue from Director-related entities	214,821	223,605
Rent of office premises paid/payable to Director-related entities	22,114	25,963
Equipment rental payments paid/payable to Director-related entities	33	13,790
Plant and equipment purchased from Director-related entities	-	39
Secretarial and management fees paid/payable to Director-related entities	590	8,768
Aggregate amounts receivable from Director-related entities at balance date:		
Trade receivables	-	14,024
Aggregate amounts payable to Director-related entities at balance date:		
Trade payables, sundry payables and accrued expenses	325,747	78,049

**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 27(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.

(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 \$		Fixed Interest - Maturing Within One Year (\$)		Non-interest Bearing \$		Total \$	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<b>Financial Assets</b>										
Cash and cash equivalents	-	-	-	-	-	-	27,113	21,891	27,113	21,891
Receivables			-	-	-	-	18,670	18,527	18,670	18,527
<b>Total Financial Assets</b>			-	-	-	-	45,783	40,418	45,783	40,418
<b>Financial Liabilities</b>										
Trade and sundry creditors			-	-	-	-	598,890	514,572	598,890	514,572
Other loans			-	-	-	-	2,107,392	2,132,257	2,107,392	2,132,257
<b>Total Financial Liabilities</b>			-	-	-	-	2,706,282	2,646,829	2,706,282	2,646,829

(iv) **Net Fair Values**

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

#### (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 \$24,303 provision for impairment of receivables, representing just over 68% of the aggregate gross carrying amount of receivables.

\$32,424 of receivables are past due, representing just over 90% of the aggregate gross carrying amount of receivables. This is not uncommon in the Travel/IT services sector, where invoiced amounts mainly comprise contracted lump sum milestone payments.

The largest single receivable is \$16,383, representing 46% of the aggregate gross carrying amount of receivables. There are four other receivables that exceed 10% of the aggregate gross carrying amount.

There are no material amounts of collateral held as security at 30 June 2011.

Trade and sundry creditors of \$339,313 are repayable within 1 year, and it is unlikely that the Company will be required to settle these liabilities earlier than anticipated.

Other loans of \$2,107,392 is represented by an interest-free loan from one of the Company's major shareholders. Although there is no fixed term for the repayment of this loan, the Company has received an undertaking from the lender confirming that it will not call on any part of this loan within the next 12 months, and that it 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 2011, 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 to the US Dollar, with all other variables remaining constant would be as follows:

	Consolidated Entity	
	2011	2010
	\$	\$
Change in loss		
Increase in interest rate by 0.5%	-	-
Decrease in interest rate by 0.5%	-	-
Change in equity		
Increase in interest rate by 0.5%	-	-
Decrease in interest rate by 0.5%	-	-
Change in loss		
Improvement in AUD to USD by 10%	7,000	-
Decline in AUD to USD by 10%	-7,000	-
Change in equity		
Improvement in AUD to USD by 10%	-36,000	-28,000
Decline in AUD to USD by 10%	36,000	28,000

### • 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 28: Parent Entity Disclosure

	Parent Entity	
	2011	2010
	\$	\$
<b>Financial Position:</b>		
<b>Assets</b>		
Current assets	18,921	28,414
<b>Total assets</b>	<b>18,921</b>	<b>28,414</b>
<b>Liabilities</b>		
Current liabilities	318,184	274,340
Non-current liabilities	2,295,232	2,295,232
<b>Total liabilities</b>	<b>2,613,416</b>	<b>2,569,572</b>
<b>Equity</b>		
Issued capital	8,815,101	8,815,101
Accumulated losses	(11,409,596)	(11,356,259)
<b>Total equity</b>	<b>(2,594,495)</b>	<b>(2,541,158)</b>
<b>Financial Performance:</b>		
Loss for the year	(53,337)	(39,875)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>(53,337)</b>	<b>(39,875)</b>

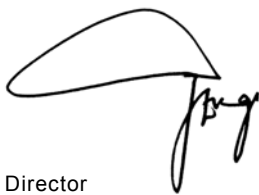
### Capital and Leasing Commitments:

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

The directors of the company declare that:

1. in the directors' opinion, the financial statements and accompanying notes set out on pages 14 to 41 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 company's financial position as at 30 June 2011 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 will be able to pay its debts as and when they become due and payable, with continued financial support of major shareholders; and
4. the remuneration disclosures included in pages 6 and 7 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2011, comply with section 300A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to section 295(4) of the Corporations Act 2001 and is signed for and on behalf of the directors by:



Director  
**Dato' Eng Kwong Gan**

Dated this 30th day of September 2011

## 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 2011, statement of 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 disclosing entity 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 disclosing entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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 at the time that this auditor's report was made.

### Auditor's Opinion

In our opinion:

- (a) the 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 disclosing entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

the financial report also complies with International Financial Reporting Standards as disclosed in note 2.



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 www.nexiacourt.com.au

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 and 7 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

### Significant uncertainty regarding continuation as a going concern

We draw attention to Note 2(e) 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 \$124,404 and negative EBITDA of \$114,906. The consolidated entity currently has a deficiency in net assets of \$2,721,708. The company has budgeted positive cash flows for the period to 30 June 2012 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.



**Nexia Court & Co**  
Chartered Accountants

**Sydney**

**Dated:** 30 September 2011



**David Gallery**  
Partner

## 1.Shareholding

The shareholder information set out below was applicable as at 21 September 2011.

### (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	2
1,001 - 5,000	98
5,001 - 10,000	41
10,001 - 100,000	78
101,001 - and over	30
	<u>249</u>

Number of holders holding less than a marketable parcel of securities 186

### (b) Substantial Shareholders

The substantial shareholders in the Company are:

Shareholder	Number of Ordinary Shares
Reliance Holdings Sdn Berhad <sup>1</sup>	27,468,320
Travel World Dot Net Sdn Berhad <sup>1</sup>	27,468,320
Dato' Gan Eng Kwong <sup>1</sup>	27,333,320
Reliance Pacific Berhad (and each of its subsidiaries) <sup>1</sup>	27,333,320
RPB Holdings (Overseas) Limited <sup>1</sup>	27,333,320
Xplonet Investments Limited <sup>1</sup>	27,333,320
Lintiaan Investments Limited <sup>2</sup>	11,113,280
Ernst Michiel Rudge van Oeveren	8,633,320
Destination Management Consultant (HK) Limited <sup>3</sup>	7,920,400
Travel Computing Services Pty Limited <sup>3</sup>	7,920,400
Techcap Resources Sdn Berhad	5,620,000
Zainal Amanshah <sup>4</sup>	5,620,000
Koh Pei Tzer	5,463,800
James Anthony Norriss	4,105,640
Chan Meng Fatt <sup>5</sup>	3,735,760
Loo Thiam Yong <sup>5</sup>	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.
- 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 Berhad	13,333,320	19.03%
2 Xplonet Investments Limited	11,200,000	15.98%
3 Ernst Michiel Rudge van Oeveren	8,633,320	12.32%
4 Techcap Resources Sdn Berhad	5,620,000	8.02%
5 Koh Pei Tzer	5,463,800	7.80%
6 James Anthony Norriss	4,105,640	5.86%
7 Travel Computing Services Pty Limited	3,735,760	5.33%
8 Tan Sin Chong	3,070,868	4.38%
9 Dato' Gan Eng Kwong	2,800,000	4.00%
10 Lintiaan Investments Limited	2,479,960	3.54%
11 Kizogo Pty Limited	1,209,435	1.73%
12 Claymore Capital Pty Ltd	750,500	1.07%
13 Spinite Pty Ltd	660,000	0.94%
14 Thong Swe Cheong	635,000	0.91%
15 Pacific Eagle Equities Pty Limited	500,000	0.71%
16 Lachlan McKerrow	290,032	0.41%
17 Teh Chye Hoon	280,000	0.40%
18 HSBC Custody Nominees (Australia) Ltd	200,000	0.29%
19 Poon Kean Kok	200,000	0.29%
20 Lui So Ngo	200,000	0.29%

## 2. Company Secretary

The Company Secretary is Christopher J Yong.

## 3. Registered Office

The registered office of the Company is:

Level 3  
171 Clarence Street  
Sydney NSW 2000

Telephone: (02) 8297 2900  
Facsimile: (02) 8297 2989

#### 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 7111

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:

<b>Number of Class of securities</b>	<b>Number of Securities</b>	<b>Holders</b>
Employee Share Plan	20,000	1

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

<b>Number of Holder</b>	<b>Options</b>
Sherman Chan	20,000

## DIRECTORS

Dato' Gan Eng Kwong  
- Chairman / Non-Executive

Ernst M R van Oeveren  
- Chief Executive Officer / Director

James A Norriss  
- Non-Executive Director

Christopher J Yong  
- Non-Executive Director

Thong Swe Cheong  
- Non-Executive Director

COMPANY SECRETARY  
Christopher J Yong

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

Locked Bag A14  
Sydney South NSW 1235

Tel: +61 (0)2 8280 7111  
Fax: +61 (0)2 9287 0303

AUDITORS  
Nexia Court & Co  
Level 29, Australia Square  
264 George Street  
Sydney NSW 2000

# DIRECTORY

## REGISTERED OFFICE / HEAD OFFICE

World.Net Services Limited  
Suite 505, Level 5  
235 Clarence Street  
Sydney NSW 2000

GPO Box 3982  
Sydney NSW 2001

Tel: +61 (0)2 8297 2900  
Fax: +61 (0)2 8297 2938  
Email: [info@world.net](mailto:info@world.net)  
Web: [www.world.net](http://www.world.net)

## UK OFFICE

World.Net Services (UK) Limited  
2nd Floor  
45 Gerrard Street  
London  
W1D 5QG  
United Kingdom

Tel: +44 (0) 20 7439 2651  
Fax: +44 (0) 20 7437 2160  
Email: [info@world.net](mailto:info@world.net)

## MALAYSIAN OFFICE

World Net Services Sdn Bhd  
Block A, 6th Floor, Unit A-6-4  
Megan Avenue 2  
12, Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Malaysia

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The background features several thick, parallel diagonal stripes. On the left side, there are four stripes in shades of blue, purple, pink, and red, sloping downwards from left to right. On the right side, there are four stripes in shades of red, sloping upwards from left to right. The text 'www.world.net' is positioned in the center, following the angle of the left-side stripes.

*www.world.net*