World.Net Services Limited

ABN 77 072 392 673

Appendix 4E: Preliminary final report
For the year ended 30 June 2010
(Previous corresponding period - Year ended 30 June 2009)

Contents

Appendix 4E
Preliminary final report
For the year ended 30 June 2010
(Previous corresponding period - Year ended 30 June 2009)

Name of entity: World.Net Services Limited

ABN: 77 072 392 673 **Financial year ended:** 30 June 2010

Results for announcement to the market (Item 2)

Item 2.1

Revenue from ordinary activities	down	46%	to	$664,120
			from	$1,235,274

Item 2.2

Loss from ordinary activities after tax attributable to members	up	98%	to	($43,162)
			from	($2,006,646)

Item 2.3

Net loss for the period attributable to members	up	98%	to	($43,162)
			from	($2,006,646)

Item 2.4

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

Item 2.5

Record date for determining entitlements to dividends:

Not applicable

Item 2.6

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

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

Preliminary consolidated statement of comprehensive income (Item 3)
For the year ended 30 June 2010

	Notes	Consolidated 2010 $	Consolidated 2009 $
Continuing operations			
Revenue	3	664,120	1,235,274
Cost of sales		(60,696)	(98,922)
Gross profit		**603,424**	**1,136,352**
Other income	3	82,836	101,992
Employee benefits expense		(486,796)	(1,179,638)
Depreciation and amortisation expense		(7,835)	(686,170)
Impairment loss - deferred software development costs	4	-	(874,215)
Bad and doubtful debts expense	4	-	(124,267)
Rental expense	4	(43,118)	(112,451)
Professional fees expense		(44,574)	(95,714)
Other expenses		(146,626)	(169,689)
Loss from continuing operations		**(42,689)**	**(2,003,800)**
Financial income	3	726	914
Finance expenses	4	(1,199)	(3,760)
Net financing costs		**(473)**	**(2,846)**
Loss before income tax		**(43,162)**	**(2,006,646)**
Income tax expense		-	-
Loss attributable to members of the parent entity	**16**	**(43,162)**	**(2,006,646)**
Other comprehensive income			
Exchange differences on translating foreign controlled entities		(13,529)	78,813
Total comprehensive income attributable to members of the parent entity		**(56,691)**	**(1,927,833)**

The accompanying notes form part of these financial statements.

Preliminary consolidated statement of financial position (Item 4)
As at 30 June 2010

	Notes	Consolidated 2010 $	Consolidated 2009 $
Current assets			
Cash and cash equivalents	5	21,891	88,835
Trade and other receivables	6	18,527	73,306
Other current assets	7	30,636	44,801
Total current assets		71,054	206,942
Non-current assets			
Plant and equipment	8	16,838	21,752
Total non-current assets		16,838	21,752
Total assets		**87,892**	**228,694**
Current liabilities			
Trade and other payables	9	254,995	485,222
Short-term provisions	10	-	3,589
Total current liabilities		254,995	488,811
Non-current liabilities			
Trade and other payables	11	259,577	259,577
Long-term borrowings	12	2,132,257	1,952,357
Long-term provisions	13	83,298	113,493
Total non-current liabilities		2,475,132	2,325,427
Total liabilities		**2,730,127**	**2,814,238**
Net assets		**(2,642,235)**	**(2,585,544)**
Equity			
Issued capital	14	8,815,101	8,815,101
Reserves	15	(81,546)	(68,017)
Accumulated losses	16	(11,375,790)	(11,332,628)
Total equity		**(2,642,235)**	**(2,585,544)**

The accompanying notes form part of these financial statements.

Preliminary consolidated statement of changes in equity (Item 4)
For the year ended 30 June 2010

	Share capital (ordinary) $	Accumulated losses $	Foreign currency translation reserve $	Total $
Balance at 1 July 2008	8,815,101	(9,325,982)	(146,830)	(657,711)
Loss attributable to members of parent entity		(2,006,646)		(2,006,646)
Adjustments from translation of foreign controlled entities			78,813	78,813
Balance at 30 June 2009	**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)
Balance at 30 June 2010	**8,815,101**	**(11,375,790)**	**(81,546)**	**(2,642,235)**

The accompanying notes form part of these financial statements.

Preliminary consolidated cash flow statement (Item 5)
For the year ended 30 June 2010

	Notes	Consolidated 2010 $	Consolidated 2009 $
Cash flows from operating activities			
Receipts from customers		756,756	1,732,543
Interest received		726	914
Government grants and incentives received		79,790	76,772
Other revenue received		29	217
Payments to suppliers and employees		(1,079,992)	(1,810,956)
Finance costs		(1,199)	(3,760)
Net cash used in operating activities	**17**	**(243,890)**	**(4,270)**
Cash flows from investing activities			
Purchase of plant and equipment		(2,954)	(14,030)
Net cash used in investing activities		**(2,954)**	**(14,030)**
Cash flows from financing activities			
Proceeds from borrowings		179,900	-
Net cash provided by financing activities		**179,900**	**-**
Net decrease in cash held		**(66,944)**	**(18,300)**
Cash at beginning of financial year		88,835	107,135
Cash at end of financial year	**5**	**21,891**	**88,835**

The accompanying notes form part of these financial statements.

Notes to the preliminary consolidated financial statements (Items 3, 4 and 5)
30 June 2010

Note 1: Accounting policies and basis of preparation

Basis of preparation

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

The Preliminary Final Report is presented in Australian dollars and has been prepared on the basis of historical costs except in accordance with relevant accounting policies where assets and liabilities are stated at their values in accordance with relevant accounting policies. The accounting policies adopted in this report are the same as those disclosed in the annual financial report for the year ended 30 June 2009.

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

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

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

Going concern

The Consolidated Entity recorded a negative EBITDA of $34,854 and a loss after tax of $43,162 for the year ended 30 June 2010. The Consolidated Entity had a deficiency in net assets of $2,642,235. The Consolidated Entity had cash of $21,891 and budgeted positive cash flows from operations for the period to 30 June 2011, 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. Whist the directors believe the assumptions are best estimates based on information presently available and the actions currently being undertaken by management, the occurrence and timing of the future events are not certain.

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

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

Note 2: Segment information

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); and (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.

Primary reporting - Geographical segments

The Consolidated Entity, during the year, operated predominantly in three geographical areas, being Australia, the UK and Malaysia.

2010	Australia $	UK $	Malaysia $	Intersegment Elim/Unalloc ($)	Consolidated $
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
Other non-cash segment expenses	-	-	-	-	-

Note 2: Segment information (continued)

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

	Consolidated 2010 $	Consolidated 2009 $
Note 3: Revenue from continuing operations		
Interest received	726	914
Government grants and incentives received	79,790	76,772
Other revenue	-	217
Services revenue	664,120	1,235,274
Foreign exchange gains	3,046	25,003
Total revenue from continuing operations	747,682	1,338,180
Note 4: Expenses		
Finance expenses:		
Other persons	3,945	3,760
Impairment loss - deferred software development costs	-	874,215
Foreign exchange losses	2,331	7,695
Bad and doubtful debts expense:		
Trade receivables	-	124,267
Rental expense on operating leases:		
Minimum lease payments	43,118	112,451
Superannuation, pensions, and EPF payments	26,725	67,006
Note 5: Current assets - Cash and cash equivalents		
Cash at bank and in hand	21,891	88,835
Note 6: Current assets - Trade and other receivables		
Trade receivables	102,784	212,748
Less: Provision for impairment of receivables	91,836	149,056
Net carrying value	10,948	63,692
Other receivables	7,579	9,614
Total trade and other receivables	18,527	73,306
Note 7: Current assets - Other current assets		
Prepayments	12,139	13,241
Deposits	18,497	31,560
Total other current assets	30,636	44,801

Notes to the preliminary consolidated financial statements (Items 3, 4 and 5)
30 June 2010

	Consolidated 2010 $	Consolidated 2009 $
Note 8: Non-current assets - Plant and equipment		
Plant and equipment		
At cost	164,124	157,545
Less: Accumulated depreciation	148,010	136,676
Net carrying value	16,114	20,869
Leasehold improvements		
At cost	2,160	2,110
Less: Accumulated depreciation	1,436	1,227
Net carrying value	724	883
Total plant and equipment	16,838	21,752
Note 9: Current liabilities - Trade and other payables		
Unsecured liabilities		
Trade payables	187,095	221,081
Sundry payables and accrued expenses	67,900	264,141
Total trade and other payables	254,995	485,222
Note 10: Current liabilities - Short-term provisions		
Employee entitlements	-	3,589
Note 11: Non-current liabilities - Trade and other payables		
Unsecured liabilities		
Sundry payables and accrued expenses	259,577	259,577
Note 12: Non-current liabilities - Long-term borrowings		
Unsecured liabilities		
Unsecured loans - interest free	2,132,257	1,952,357
Note 13: Non-current liabilities - Long-term provisions		
Employee entitlements	83,298	113,493
Note 14: Issued capital		
70,078,300 (2009: 70,078,300) ordinary shares, fully paid	8,815,101	8,815,101
Note 15: Reserves		
Foreign currency translation reserve	(81,546)	(68,017)

Notes to the preliminary consolidated financial statements (Items 3, 4 and 5)
30 June 2010

	Consolidated 2010 $	Consolidated 2009 $

Note 16: Accumulated losses

	2010 $	2009 $
Accumulated losses at the beginning of the financial year	(11,332,628)	(9,325,982)
Loss attributable to members of the parent entity	(43,162)	(2,006,646)
Accumulated losses at the end of the financial year	(11,375,790)	(11,332,628)

Note 17: Reconciliation of net cash used in operating activities with loss after income tax

	2010 $	2009 $
Loss after income tax	(43,162)	(2,006,646)
Cash flows excluded from loss attributable to operating activities:		
Non-cash flows in loss		
Amortisation and depreciation	7,835	686,170
Impairment loss	-	874,215
Net foreign exchange (gains) losses	(13,496)	23,575
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Decrease in trade and term receivables	54,779	438,114
Decrease in deposits and prepayments	14,165	15,230
Increase (decrease) in trade payables and accruals	(230,227)	32,063
Decrease in provisions	(33,784)	(66,991)
Net cash used in operating activities	(243,890)	(4,270)

Non-cash financing and investing activities

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

Note 18: Earnings per share

	Cents	Cents
Basic EPS	(0.1)	(2.9)
Dilutive EPS	(0.1)	(2.9)

	$	$
Reconciliation of loss		
Loss	(43,162)	(2,006,646)
Loss used in the calculation of basic EPS	(43,162)	(2,006,646)
Loss used in the calculation of dilutive EPS	(43,162)	(2,006,646)

	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	70,078,300	70,078,300
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	70,078,300	70,078,300

Other disclosure items
30 June 2010

Details of individual and total dividends and dividend payments (Item 6)

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

Details of dividend reinvestment plans in operation (Item 7)

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

Statement of retained earnings showing movements (Item 8)

Refer to Note 16 to the preliminary consolidated financial statements.

Net tangible assets per security (Item 9)

	2010 Cents	2009 Cents
Net tangible asset backing per ordinary security	(3.8)	(3.7)

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

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

Details of associates and joint venture entities (Item 11)

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

Other significant information (Item 12)

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

Commentary on the results for the period (Item 14)

Earnings per security (Item 14.1)

Refer to Note 18 to the preliminary consolidated financial statements.

Returns to shareholders (Item 14.2)

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

Other disclosure items
30 June 2010

Significant features of operating performance (Item 14.3)

- Sales were down 46% in comparison with the previous financial year - from $1,235,274 to $664,120.
- Other revenue was down 19% in comparison with the previous financial year - from $101,992 to $82,836.
- Operating expenditure was down 56% in comparison with the previous financial year - from $1,780,681 to $781,810.
- EBITDA improved by $408,561 in comparison with the previous financial year - from a $443,415 EBITDA loss to a $34,854 EBITDA loss.

The results of segments (Item 14.4)

Refer to Note 2 to the preliminary consolidated financial statements.

Discussion of trends in performance (Item 14.5)

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

	2010 $	2009 $	2008 $
Sales and fees revenue	664,120	1,235,274	1,503,097
Other revenue (excluding interest)	82,836	101,992	177,005
Total revenue (excluding interest)	746,956	1,337,266	1,680,102
Less: Operating expenses (excluding interest)	(781,810)	(1,780,681)	(1,550,207)
EBITDA	(34,854)	(443,415)	129,895
Less: Depreciation, amortisation and impairment losses	(7,835)	(1,560,385)	(2,060,167)
EBIT	(42,689)	(2,003,800)	(1,930,272)
Add (less): Net interest (expense) income	(473)	(2,846)	2,424
Loss before tax	(43,162)	(2,006,646)	(1,927,848)
Less: Income tax expense	-	-	-
Loss after tax	(43,162)	(2,006,646)	(1,927,848)

Despite a 46% drop in sales (from $1,235,274 to $664,120) the Consolidated Entity reported a $408,561 improvement in EBITDA in comparison with the previous financial year (a $34,854 EBITDA loss compared to an EBITDA loss of $443,415 recorded during the year ended 30 June 2009). This is a result of a 56% reduction in operating expenditure when compared with the previous financial year (from $1,780,681 to $781,810).

Other disclosure items
30 June 2010

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

This year World.Net has focussed exclusively on the Plan Your Own (PYO) project. Accordingly our revenues have dropped as our Australian and UK contracts have ended. We anticipate to completely exit the UK market by the end of the 2010 calendar year. The Company has reduced its staff to 13 employees, in comparison with 21 employees at the beginning of the financial year.

During the year, the Company released a series of major upgrades to the pyotravel.com suite of sites, delivering improvements across the board, including a complete rewrite of the IBE (Internet Booking Engine), revamped website designs, and new innovations, such as our Re-Pricer module, allowing dynamically profiled product pricing. Implementation is progressing well on our new Membership and Inheritance modules, which are both scheduled for release before the end of the year.

The Company has also taken on the role of providing outsourced operational support for PYO. We now have 4 full-time content managers who are dedicated to loading and maintaining PYO product datasets. We have also taken on responsibility for first level support for PYO product suppliers.

These technical innovations and operational improvements, together with increased marketing, have resulted in PYO progressively improving its market position, and transaction revenue continually improving month-on-month.

World.Net will continue to focus on PYO as our flagship project for the next 12 months.

Audit of the accounts (Items 15 and 16)

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

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

Ernst van Oeveren
Director / Chief Executive Officer

31 August 2010