



APPENDIX 4E

The Company's Financial Reports are in the process of being audited, as a result please find attached the Company's Unaudited Appendix 4E Preliminary Final Result for the 2010 financial year.

A handwritten signature in black ink, appearing to read "Mark Pitts".

Mark Pitts
Company Secretary

For more information please contact Campbell Smith (Managing Director) on +61 8 9444 9088 or visit the web site www.pienetworks.com

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pieNETWORKS Limited

ABN 27 078 661 444

Preliminary Final Report

For the year ended 30 June 2010

Unaudited

(Incorporating information pursuant to ASX Listing Rule 4.3A)

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pieNETWORKS LIMITED

ASX APPENDIX 4E Results Summary

1. For the year ended 30 June 2010

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Financial results (consolidated)	Full Year 30 June 2010 \$	Full Year 30 June 2009 \$	% change June 2009 to June 2010
Revenue from ordinary activities	694,746	963,996	(27.9%)
Profit (loss) from ordinary activities after tax attributable to members	(2,074,815)	(2,307,611)	(10.1%)*
Net profit (loss) for the period attributable to members	(2,074,815)	(2,307,611)	(10.1%)*

* Represents reduction in loss from 2009 to 2010

Dividends	Full Year 30 June 2010	Full Year 30 June 2009
Cents per ordinary share	Nil*	Nil

*No dividends have been declared or are payable for the period ended 30 June 2010.

Tangible assets per ordinary share	Full Year 30 June 2010	Full Year 30 June 2009
Net tangible assets per share (cents)	0.28	0.11

Commentary

The consolidated net loss after tax for the year was \$2,074,815 compared with a net loss after tax of \$2,307,611 in 2009.

The Company's focus on its transformation from a niche internet 'kiosk' business into a 'telco grade' project management, software and hardware supplier together with market conditions has contributed to the reduction in revenue.

The Company has invested substantially in product and market development in recent years, however in the last year the effort has been largely directed toward implementation of its Hotspot Webphone Business Plan which has resulted in a reduction in research and development expenditure. This reduction in research and development expenditure is the most significant factor in the reduced net loss for the year.

2.1 Going concern

The Group incurred a loss after tax for the year of \$2,074,815 (2009: \$2,307,611) and has a surplus in working capital at 30 June 2010 of \$1,490,004 (2009: \$109,702). The accounts have been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The directors believe this to be appropriate for the following reasons:

- The Group's network of 42 Hotspot Webphones in Westfield and AMP shopping centres in New Zealand has generated significant interest in its Webphone business model. The Directors consider that this deployment will enhance the Group's ability to raise additional funding to meet the future working capital needs of the business.
- The Group is continuing the pursuit of business opportunities that, in the Directors opinion, warrant the ongoing commitment of the Group's financial resources. A significant recent development included the finalisation of an agreement with Telstra for the deployment of 50 Hotspot Webphones in an assessment of the Australian market. The Webphones will be deployed in a number of high profile indoor sites across Australia. Subject to the success of the market assessment, the Group expects to negotiate with Telstra on the commercial terms for a large scale deployment;
- Subsequent to the end of the financial year, the Group completed the second tranche of a \$3 million share placement with an institutional investor, raising \$1 million from the issue of 50,000,000 shares at 2 cents per share.
- Directors have undertaken an analysis of the Group's minimum cash requirements for the 12 month period subsequent to the date of this report and are confident subject to a capital raising as and when required, that the Group will have sufficient cash reserves for that period. The Directors anticipate ongoing support from all key stakeholders in the Group, as has been demonstrated to date.

For the reasons discussed above, the directors are confident that the Group will be able to continue its transformation into a 'telco grade' project management, software and hardware supplier.

Should the Company be unable to successfully commercialise its Webphone within a reasonable timeframe and/or be unable to successfully raise sufficient capital when required there is material uncertainty which may cast significant doubt as to whether the Company and Group will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

3. Consolidated statement of comprehensive income

<i>In AUD</i>	Consolidated	
	2010	2009
Revenue from sale of goods	125,108	291,183
Revenue from rendering services	569,638	672,813
Cost of sales	(76,695)	(200,588)
Gross profit	618,051	763,408
Other revenues from ordinary activities	36,060	21,296
Service revenue expenses	(802,394)	(404,261)
Sales and marketing expenses	(390,288)	(527,402)
Research and development expenses	(832,624)	(1,419,295)
Administrative and corporate expenses	(980,374)	(1,127,642)
Other expenses from ordinary activities	(22,717)	(14,523)
Results from operating activities	(2,374,286)	(2,708,419)
Financial income	65,132	12,727
Financial expenses	(3,056)	(7,935)
Net financing income	62,076	4,792
Loss before income tax	(2,312,210)	(2,703,627)
Income tax benefit	237,395	396,016
Loss after income tax attributable to Owners of the Company	(2,074,815)	(2,307,611)
Other comprehensive income	-	-
Total comprehensive income attributable to Owners of the Company	(2,074,815)	(2,307,611)
Earnings per share for loss attributable to the ordinary equity holders of the Company:		
Basic loss per share (cents)	(0.303)	(0.551)

3.1 Notes to consolidated statement of comprehensive income

Other income

<i>In AUD</i>	Consolidated	
	2010	2009
WA State Payroll tax rebate	29,060	-
Bad debts recovered	-	9,296
Rental income from property subleases	7,000	12,000
	<u>36,060</u>	<u>21,926</u>

Other expenses

<i>In AUD</i>	Consolidated	
	2010	2009
Increase/(decrease) in provisions	6,900	11,302
Bad debts written off	16,311	-
Other	(494)	3,221
	<u>22,717</u>	<u>14,523</u>

Personnel expenses

<i>In AUD</i>	Consolidated	
	2010	2009
Wages and salaries	849,102	1,015,670
Other associated personnel expenses	34,485	45,035
Contributions to defined contribution superannuation funds	84,184	95,292
Consulting fees	749,438	1,087,662
Increase/(decrease) in liability for annual leave	25,600	9,792
Increase in liability for long service leave	7,752	6,996
Equity-settled transactions	44,307	-
	<u>1,794,868</u>	<u>2,260,447</u>

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4. Consolidated statement of changes in equity

Consolidated <i>In AUD</i>	Attributable to shareholders of the Company			
	Share capital	Share option reserve	Accumulated losses	Total equity
Balance at 1 July 2008	17,968,492	226,588	(17,152,845)	1,042,235
Total comprehensive income for the period				
Loss for the period	-	-	(2,307,611)	(2,307,611)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(2,307,611)	(2,307,611)
Transactions with Owners, recorded directly in equity				
Issue of ordinary shares	1,888,835	-	-	1,888,835
Total transactions with Owners	1,888,835	-	-	1,888,835
Balance at 30 June 2009	19,857,327	226,588	(19,460,456)	623,459

Consolidated <i>In AUD</i>	Attributable to shareholders of the Company			
	Share capital	Share option reserve	Accumulated losses	Total equity
Balance at 1 July 2009	19,857,327	226,588	(19,460,456)	623,459
Total comprehensive income for the period				
Loss for the period	-	-	(2,074,815)	(2,074,815)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(2,074,815)	(2,074,815)
Transactions with Owners, recorded directly in equity				
Issue of ordinary shares	3,414,750	-	-	3,414,750
Share options exercised	300,000	-	-	300,000
Share-based payment transactions	-	44,307	-	44,307
Total transactions with Owners	3,714,750	44,307	-	3,759,057
Balance at 30 June 2010	23,572,077	270,895	(21,535,271)	2,307,701

5. Consolidated statement of financial position

<i>In AUD</i>	Consolidated	
	2010	2009
Assets		
Cash and cash equivalents	1,415,297	111,966
Trade and other receivables	326,053	199,579
Inventories	144,030	86,982
Current tax assets	237,395	396,017
Other current assets	94,615	32,976
Total current assets	2,217,390	827,520
Restricted cash deposits	114,316	108,626
Property, plant and equipment	482,725	429,037
Intangible assets	1,367	4,106
Other non-current assets	254,368	-
Total non-current assets	852,776	541,769
Total assets	3,070,166	1,369,289
Liabilities		
Trade and other payables	269,670	523,298
Interest-bearing loans and borrowings	1,022	3,841
Employee benefits	174,822	146,629
Unearned revenues	281,872	44,050
Total current liabilities	727,386	717,818
Interest-bearing loans and borrowings	-	685
Employee benefits	35,079	27,328
Total non-current liabilities	35,079	28,013
Total liabilities	762,465	745,831
Net assets	2,301,701	623,459
Equity		
Issued capital	23,572,077	19,857,327
Reserves	270,895	226,588
Accumulated losses	(21,535,271)	(19,460,456)
Total equity	2,307,701	623,459

5.1 Notes to consolidated statement of financial position

Cash and cash equivalents

<i>In AUD</i>	2010	2009
Bank balances	46,761	45,482
Call deposits	868,536	66,484
Term deposits	500,000	-
Cash and cash equivalents included under current assets	1,415,297	111,966
Restricted term deposits*	114,316	108,626
Cash and cash equivalents included under non-current assets	114,316	108,626
Total Cash and cash equivalents in the statement of cash flows	1,529,613	220,592

*Restricted term deposits of \$114,316 (2009: \$108,626) are being held by ASB bank New Zealand Ltd as security for bank guarantees of NZ\$135,000 and NZ\$5,700 in favour of Westfield New Zealand Ltd and AMP Capital Property Portfolio Ltd, respectively. The effective interest rate on those deposits was 4.71% (2009: 4.0%).

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Current tax assets and liabilities

The current tax asset for the consolidated entity of \$237,395 (2009: \$396,017) represents the amount of income taxes recoverable in respect of the current and prior financial periods arising from the Company's Research and Development Tax Rebate offset claim.

Capital and reserves

Reconciliation of movement in capital and reserves attributable to equity holders of the parent

Consolidated	Share capital	Share options reserve	Accumulated Losses	Total equity
<i>In AUD</i>				
Balance at 1 July 2008	17,968,492	226,588	(17,152,845)	1,042,235
Total comprehensive income for the period	-	-	(2,307,611)	(2,307,611)
Shares issued (net of costs)	1,888,835	-	-	1,888,835
Balance at 30 June 2009	19,857,327	226,588	(19,460,456)	623,459
Balance at 1 July 2009	19,857,327	226,588	(19,460,456)	623,459
Total comprehensive income for the period	-	-	(2,074,815)	(2,074,815)
Equity-settled transactions, net of tax	-	44,307	-	44,307
Share options exercised (i)	300,000	-	-	300,000
Shares issued (net of costs) (i)	3,414,750	-	-	3,414,750
Balance at 30 June 2010	23,572,077	270,895	(21,535,271)	2,307,701

(i) During the year, 266,250,000 (2009:199,106,762) shares were issued to raise \$3,862,500 (2009: \$1,991,068) and \$147,750 (2009: \$102,233) issue costs were incurred.

Share capital

	The Company Ordinary shares	
	2010 No.	2009 No.
On issue at 1 July	544,518,454	345,411,692
Issued for cash	266,250,000	199,106,762
On issue at 30 June – fully paid	810,768,454	544,518,454

6. Consolidated statement of cash flows

In AUD	Note	Consolidated 2010	2009
Cash flows from operating activities			
Cash receipts from customers		915,234	978,681
Cash paid to suppliers and employees		(3,275,416)	(3,358,971)
Cash used in operations		(2,360,180)	(2,380,290)
Research and development tax offset rebate		396,017	402,926
Net cash (used in) operating activities		(1,964,165)	(1,977,364)
Cash flows from investing activities			
Payment of loan to subsidiary		-	-
Proceeds from sale of property, plant and equipment		-	6,406
Interest received		35,484	12,726
Acquisition of property, plant and equipment		(470,293)	(390,251)
Acquisition of intangible asset		(195)	(1,179)
Net cash (used in) investing activities		(435,004)	(372,298)
Cash flows from financing activities			
Payment of finance lease liabilities		(3,504)	(3,149)
Proceeds from share issues		3,862,500	1,991,068
Payments for equity raising costs		(147,750)	(102,233)
Proceeds from borrowings		-	400,000
Repayment of borrowings		-	(400,000)
Interest paid		(3,056)	(12,870)
Net cash provided by financing activities		3,708,190	1,872,816
Net (decrease)/increase in cash and cash equivalents		1,309,021	(476,846)
Cash and cash equivalents at 1 July		220,592	697,438
Cash and cash equivalents at 30 June	5.1	1,529,613	220,592

7. Dividends paid or provided for

No dividends declared for the year ended 30 June 2010. Refer to results summary.

8. Dividends reinvestment plan

No dividends or distribution reinvestment plan were in operation during the period ended 30 June 2010.

9. Movements in retained earnings

Refer to capital and reserves note under item 5.1.

10. NTA backing

Details of net tangible asset backing are set out in the results summary

11. Control gained over entities having material effect

There were no entities over which control has been gained or lost during the period.

12. Details of associates and joint ventures

The pieNETWORKS group has no investments in associates or joint ventures.

13. Other significant information

At the date of this Appendix 4E there was no other matter of a significant nature.

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14. Accounting standards for foreign entities

Not applicable to pieNETWORKS Limited.

15. Commentary on the results for the financial year

Refer to results summary.

16. Earnings per share

Refer to statement of comprehensive income at item 3

17. Compliance statement

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



Signed:
(Company Secretary)

Date: 31 August 2010

Name: Mark Pitts