



**PieNetworks Limited**

**31 December 2013 condensed  
interim financial report**

**ABN 27 078 661 444**

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# PieNetworks Limited

## DIRECTORS' REPORT

The directors present their report together with the condensed interim financial report of PieNetworks Limited ("the Company") for the half-year ended 31 December 2013 and the review report thereon.

### Directors

The directors of the Company at any time during or since the end of the half-year are:

Name	Period of directorship
<b>Non-executive</b>	
Peter Gunzburg (Chairperson)	Director since 29 April 2002
Bill Zikou	Director since 10 August 2010
Mark Pitts	Director since 6 February 2012

### Review of operations

#### Financial

The operating loss after income tax for the half-year ended 31 December 2013 was \$483,173 (2012: \$427,995).

On 26 September 2013, the Company announced that it had issued 4,666,667 ordinary shares. The issue comprised a placement of 2,166,667 ordinary shares at 6 cents per share to raise \$130,000 and the issue of 2,500,000 ordinary shares at 6 cents per share in lieu of a consulting fee to Mr Leon Carr and Mr Michael Bailey. Although not a cash cost, the value of these shares at \$150,000 is reflected in the operating loss as detailed for the six months to December.

#### Operational

During the half-year ended 31 December 2013, the Board continued to focus on pursuing complimentary business opportunities and improving the profitability of the Company.

To this end, the Board made further changes to its New Zealand webphone network aimed at improving profitability and has been working with management to further reduce the Company's costs. The adjustments to the New Zealand webphone network have seen a reduction in webphone's in the field and this together with an appreciation in the New Zealand dollar against the Australian dollar and a decline in internet kiosk customer renewals has contributed to reduced revenue for the six months.

Support of shareholders has meant that the Company has remained in a sound financial position despite some challenging business and capital market conditions.

As previously announced, the Board continues to support the existing product offering, but believes it is in the best interests of shareholders to pursue complementary acquisitions and has engaged a specialist advisory firm to assist in that process.

## **PieNetworks Limited**

### **DIRECTORS' REPORT (Continued)**

#### **Subsequent Events**

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

#### **Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on page 17 and forms part of the directors' report for the half-year ended 31 December 2013.

Dated at Perth this 28<sup>th</sup> day of February 2014

Signed in accordance with a resolution of the directors:



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Peter Gunzburg  
Chairman

# PieNetworks Limited

## Condensed interim statement of profit or loss and other comprehensive income

For the six months ended 31 December 2013

In AUD

	31 Dec 2013	31 Dec 2012
Revenue from sale of goods	10,140	21,174
Revenue from rendering services	148,116	245,348
Cost of sales	(128,987)	(160,381)
<b>Gross profit</b>	<b>29,269</b>	<b>106,141</b>
Network management expenses	(296,122)	(143,566)
Sales and marketing expenses	(11,825)	(11,367)
Research and development expenses	(3,754)	(337,115)
Administrative and corporate expenses	(343,085)	(67,001)
Other expenses from ordinary activities	(880)	(1,708)
<b>Results from operating activities</b>	<b>(626,397)</b>	<b>(454,616)</b>
Financial income	143,777	27,173
Financial expenses	(553)	(552)
<b>Net financial income</b>	<b>143,224</b>	<b>26,621</b>
<b>Loss before income tax</b>	<b>(483,173)</b>	<b>(427,995)</b>
Income tax expense	-	-
<b>Loss after income tax attributable to Owners of the Company</b>	<b>(483,173)</b>	<b>(427,995)</b>
<b>Other comprehensive income:</b> <i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation differences for foreign operations	(124,849)	(17,195)
<b>Total comprehensive income attributable to Owners of the Company</b>	<b>(608,022)</b>	<b>(445,190)</b>
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company</b>		
Basic and diluted loss per share (cents)	(0.73)	(0.98)

The condensed interim statement of comprehensive income is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 13.

# PieNetworks Limited

## Condensed interim statement of financial position

As at 31 December 2013

<i>In AUD</i>	<i>Note</i>	31 Dec 2013	30 Jun 2013
<b>Current Assets</b>			
Cash and cash equivalents	5	1,121,561	1,384,293
Trade and other receivables		42,517	98,028
Inventories		3,944	21,448
Current income tax assets		1,486	909
Restricted cash	6	129,332	134,802
Other current assets		20,324	55,771
<b>Total current assets</b>		<b>1,319,164</b>	<b>1,695,251</b>
<b>Non-current assets</b>			
Restricted cash	6	-	113,722
Property, plant and equipment		18,766	40,848
<b>Total non-current assets</b>		<b>18,766</b>	<b>154,570</b>
<b>Total assets</b>		<b>1,337,930</b>	<b>1,849,821</b>
<b>Current Liabilities</b>			
Trade and other payables		177,330	346,735
Loans and borrowings		2,258	2,113
Employee benefits		28,414	26,847
Deferred revenue		27,564	20,487
Provisions		86,564	67,592
<b>Total current liabilities</b>		<b>322,130</b>	<b>463,774</b>
<b>Non-current Liabilities</b>			
Loans and borrowings		2,174	3,340
Employee benefits		26,766	20,391
Provisions		-	45,140
<b>Total non-current liabilities</b>		<b>28,940</b>	<b>68,871</b>
<b>Total liabilities</b>		<b>351,070</b>	<b>532,645</b>
<b>Net assets</b>		<b>986,860</b>	<b>1,317,176</b>
<b>Equity</b>			
Share capital		30,211,336	29,933,714
Reserves		838,588	963,353
Accumulated losses		(30,063,064)	(29,579,891)
<b>Total equity</b>	7	<b>986,860</b>	<b>1,317,176</b>

The condensed interim statement of financial position is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 13.

# PieNetworks Limited

## Condensed interim statement of changes in equity

### Attributable to share holders of the Company

<i>In AUD</i>	Note	Share capital	Share option reserve	Translation reserve	Accumulated losses	Total equity
Balance at 1 July 2013		29,933,714	1,064,774	(101,421)	(29,579,891)	1,317,176
<b>Total comprehensive loss for the period</b>						
Loss for the period		-	-	-	(483,173)	(483,173)
<i>Other comprehensive income</i>						
Foreign currency translation differences		-	-	(124,849)	-	(124,849)
<b>Total comprehensive loss for the period</b>		-	-	(124,849)	(483,173)	(608,022)
<b>Transactions with Owners, recorded directly in equity</b>						
Issue of ordinary shares, net of issue costs	7	127,622	-	-	-	127,622
Share based payment transactions	7	150,000	84	-	-	150,084
<b>Total transactions with Owners</b>		277,622	84	-	-	277,706
Balance at 31 December 2013		30,211,336	1,064,858	(226,270)	(30,063,064)	986,860

The condensed interim statement of changes in equity is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 13.

## PieNetworks Limited

### Condensed interim statement of changes in equity (Continued)

<i>In AUD</i>	Note	Attributable to share holders of the Company				
		Share capital	Share option reserve	Translation reserve	Accumulated losses	Total equity
Balance at 1 July 2012		28,475,095	1,052,431	(2,474)	(28,803,617)	721,435
<b>Total comprehensive income for the period</b>						
Loss for the period		-	-	-	(427,995)	(427,995)
<i>Other comprehensive income</i>						
Foreign currency translation differences		-	-	(17,195)	-	(17,195)
<b>Total comprehensive income for the period</b>		-	-	(17,195)	(427,995)	(445,190)
<b>Transactions with Owners, recorded directly in equity</b>						
Issue of ordinary shares, net of issue costs	7	1,042,667	-	-	-	1,042,667
Share - based payment transactions		-	3,127	-	-	3,127
<b>Total transactions with Owners</b>		1,042,667	3,127	-	-	1,045,794
Balance at 31 December 2012		29,517,762	1,055,558	(19,669)	(29,231,612)	1,322,039

The condensed interim statement of changes in equity is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 13.



## PieNetworks Limited

### Condensed interim statement of cash flows

For the six months ended 31 December 2013

In AUD

	Note	31 Dec 2013	31 Dec 2012
<b>Cash flows from operating activities</b>			
Cash receipts from customers		154,192	289,096
Cash paid to suppliers and employees		(615,051)	(862,907)
Cash (used in) operations		(460,859)	(573,811)
Research and development tax incentive received		54,706	458,070
<b>Net cash used in operating activities</b>		<b>(406,153)</b>	<b>(115,741)</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		(486)	(54,809)
Acquisition of intangible assets		-	(305)
Proceeds from the disposal of plant and equipment		-	94
Interest received		17,859	8,208
<b>Net cash provided by / (used in) investing activities</b>		<b>17,373</b>	<b>(46,812)</b>
<b>Cash flows from financing activities</b>			
Payment of finance lease liabilities		(1,021)	(894)
Proceeds from share issues	7	130,000	1,109,999
Payments for equity raising costs	7	(2,378)	(67,332)
Interest paid		(553)	(552)
<b>Net cash provided by financing activities</b>		<b>126,048</b>	<b>1,041,221</b>
Net (decrease) /increase in cash and cash equivalents		(262,732)	878,668
Cash and cash equivalents at 1 July		1,384,293	521,302
<b>Cash and cash equivalents at 31 December</b>	5	<b>1,121,561</b>	<b>1,399,970</b>

The condensed interim statement of financial position is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 13.

## Condensed notes to the interim financial report

### 1. REPORTING ENTITY

PieNetworks Limited (the "Company") is a company domiciled in Australia. The condensed interim financial report of the Company as at and for the six months ended 31 December 2013 comprises the Company and its New Zealand registered branch, PieNetworks NZ Limited.

The annual financial report of the Company as at and for the year ended 30 June 2013 is available upon request from the Company's registered office at Suite 8, 7 The Esplanade Mt Pleasant WA 6153 or at [www.pienetworks.com](http://www.pienetworks.com).

### 2. BASIS OF PREPARATION

#### (a) Statement of Compliance

The condensed interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting*, the Corporations Act 2001, and IAS 34 *Interim Financial Reporting*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual financial statements as at and for the year ended 30 June 2013.

The condensed interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 30 June 2013.

This condensed interim financial report was approved by the Board of Directors on 28<sup>th</sup> February 2014.

#### (b) Use of estimates and judgements

The preparation of the condensed interim financial statements in conformity with IFRSs requires management to make judgements, 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.

In preparing the condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied to the financial statements as at and for the year ended 30 June 2013.

#### (c) Going concern

For the half year ended 31 December 2013, the Company incurred a loss after tax of \$483,173 (2012: \$427,995) and has a surplus in working capital at 31 December 2013 of \$997,034 (June 2013: \$1,231,477). During the half-year ended 31 December 2013, the Company used cash of \$406,153 in its operations (2012: \$115,741). The Company has continued to have net cash outflows from its operations.

## Condensed notes to the interim financial report

### 2. BASIS OF PREPARATION (CONTINUED)

#### (c) Going concern (continued)

The condensed interim financial report for the half-year ended 31 December 2013 has been prepared on the basis that the Company is a going concern, which contemplates continuity of business activities including actively reviewing complimentary business opportunities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe this to be appropriate and have prepared a cash flow forecast for the 12 month period subsequent to the date of this report. The cash flow forecast takes into account, amongst other factors, contractual commitments relating to its New Zealand contracts and revenue from its current web-phone and kiosk networks at levels materially consistent with recent months. The Company anticipates having sufficient cash reserves for at least the next 12 months subsequent to the date of this report.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in the condensed interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 30 June 2013.

### 4. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

### 5. CASH AND CASH EQUIVALENTS

<i>In AUD</i>	<b>31 Dec 2013</b>	<b>30 Jun 2013</b>
Bank balances	95,182	53,348
Call deposits	1,026,379	1,330,945
<b>Total cash and cash equivalents in statement of cashflows</b>	<b>1,121,561</b>	<b>1,384,293</b>

## Condensed notes to the interim financial report

### 6. RESTRICTED CASH

<i>In AUD</i>	31 Dec 2013	30 Jun 2013
Funds received for shares issued post period end	-	130,000
Restricted cash deposits*	129,332	4,802
<b>Total current restricted cash</b>	<b>129,332</b>	<b>134,802</b>
Restricted cash deposits*	-	113,722
<b>Total non-current restricted deposits</b>	<b>-</b>	<b>113,722</b>
<b>Total restricted cash</b>	<b>129,332</b>	<b>248,524</b>

\*Restricted term deposits of \$129,332 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 Limited and AMP Capital Property Portfolio Ltd, respectively.

### 7. CAPITAL AND RESERVES

On 26 September 2013, the Company announced that it had issued 4,666,667 ordinary shares. The issue comprised a placement of 2,166,667 ordinary shares at 6 cents per share to raise \$130,000 (less issue costs incurred of \$2,378) and the issue of 2,500,000 ordinary shares at 6 cents per share in lieu of a consulting fee to Mr Leon Carr and Mr Michael Bailey.

At 31 December 2013, the Company had 68,110,584 ordinary shares on issue (30 June 2013: 63,443,917).

## Condensed notes to the interim financial report

### 8. OPERATING SEGMENTS

The Company has two reportable segments, as detailed below, which are the Company's strategic operational units. The strategic operational units operate in separate geographical locations and offer similar products and services, and are managed centrally because they require similar administrative, operational and marketing support. For each strategic operational unit, the Chief Operating Officer reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Company's reportable segments:

- Australia – Includes manufacture, distribution and management of self service telecommunications infrastructure within Australia.
- New Zealand – Includes assembly, distribution and management of self service telecommunications infrastructure within New Zealand.

There is some level of integration between the two segments. The integration includes transfers of Hotspot Webphone units and component parts between the two segments. The accounting policies of the two segments are the same as those described in the 30 June 2013 Financial Report.

	Australia		New Zealand		Total	
	2013	2012	2013	2012	2013	2012
<i>In AUD</i>	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
External revenue	133,862	225,436	24,394	41,086	158,256	266,522
Inter-segment revenue	-	-	-	-	-	-
Reportable segment (loss)/ profit before tax	(543,818)	(412,748)	60,645	(15,247)	(483,173)	(427,995)
<i>In AUD</i>	2013	2013	2013	2013	2013	2013
	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun
Segment assets	1,162,278	1,661,554	175,652	188,267	1,337,930	1,849,821

## Directors' declaration

In the opinion of the directors of PieNetworks Limited ("the Company"):

1. The condensed financial statements and notes set out on pages 5 to 13, are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the Company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 **Interim Financial Reporting** and the Corporations Regulations 2001; and
2. For the reasons set out in Note 2(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 28<sup>th</sup> day of February 2014.

Signed in accordance with a resolution of the directors:



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Peter Gunzburg  
Chairman



## **Independent auditor's review report to the members of PieNetworks Limited**

### **Report on the financial report**

We have reviewed the accompanying interim financial report of PieNetworks Limited, which comprises the condensed statement of financial position as at 31 December 2013, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company.

#### *Directors' responsibility for the interim financial report*

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2013 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of PieNetworks Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of PieNetworks Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2013 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

  
KPMG

  
Grant Robinson  
Partner

Perth

28 February 2014





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

To: the directors of PieNetworks Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

  
KPMG

  
Grant Robinson  
Partner

Perth

28 February 2014