



APPENDIX 4C COMMENTARY 31 DECEMBER 2012

The last Quarter has seen progress in both our negotiations with Telstra for a Webphone commercial supply agreement, and in conversations with prospective customers for managed Wi-Fi solutions. Looking forward, we believe the combination of kiosk and webphone capability, along with our managed Wi-Fi solutions, will be a compelling proposition for retail businesses aiming to develop better capability to interact with their customers.

Hotspot Webphone & Telstra

During the Quarter we worked with Telstra to complete a Product Sourcing Agreement to cover all commercial terms and conditions for future supply of the HotSpot Webphone and associated management services to Telstra. Progress has not been as rapid as either we or the Telstra team had anticipated – particularly due to pressures on the Telstra team from other projects and business issues. Nevertheless we have made progress on all aspects of the agreement, and anticipate a small Telstra order in the coming Quarter for delivery this financial year, and subsequently a larger Telstra order for delivery in the '12/13 financial year.

Managed Wi-Fi.

Our managed Wi-Fi service for Tabcorp at Flemington for the 2011 Spring Carnival was extremely successful - the service enabled Tabcorp customers to have high speed access to Tabcorp content and applications via their Wi-Fi enabled smartphone.

In addition to an ongoing engagement with Tabcorp, we are in active discussions with a number of other potential customers across various market segments about opportunities for managed Wi-Fi services in their businesses.

Resourcing

The conclusion of the intensive phase of product development work on the Hotspot Webphone meant that from end of December we were able to scale back some of our Webphone development resource, and reduce ongoing staff costs. Going forward our attention will be on building out additional sales and marketing skills and resources in the team to drive revenue growth.

Quarterly Financials

During the quarter there was a net cash outflow from operating activities of \$595K (vs \$1,028K the preceding quarter). Operating cash inflows this quarter included an R&D tax rebate benefit of \$452K.

The Company had \$1.879M in cash at the end of the quarter.

Craig Turner
CEO
31 January, 2012

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Appendix 4C

Quarterly report For entities admitted On the basis of commitments

Introduced 31/3/2000, Amended 30/09/2001, 24/10/2005, 17/12/2010

Name of entity

pieNETWORKS Limited

ABN

27 078 661 444

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

Cash flows related to operating activities

- 1.1 Receipts from customers
- 1.2 Payments for
 - (a) (i) administrative staff costs
 - (a) (ii) technology staff costs (note 1)
 - (a) (iii) sales and marketing staff costs
 - (b) advertising and marketing
 - (c) research and development
(note 1)
 - (d) leased assets
 - (e) other working capital
- 1.3 Dividends received
- 1.4 Interest and other items of a similar nature received
- 1.5 Interest and other costs of finance paid
- 1.6 Income taxes paid
- 1.7 Other – Tax Rebate

	Current quarter \$A'000	Year to date (6 months) \$A'000
	501	707
	(238)	(468)
	(280)	(528)
	(257)	(342)
	(113)	(162)
	(362)	(596)
	(325)	(730)
	27	43
	452	452
	(595)	(1,624)

Net operating cash flows

(595)

(1,624)

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	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(595)	(1,624)
Cash flows related to investing activities		
1.9 Payment for acquisition of: (a) businesses (item 5) (b) equity investments (c) intellectual property (d)(i) physical non-current assets (e) other non-current assets	(15)	(129)
1.10 Proceeds from disposal of: (a) businesses (item 5) (b) equity investments (c) intellectual property (d) physical non-current assets (e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other		
Net investing cash flows	(15)	(129)
1.14 Total operating and investing cash flows	(610)	(1,753)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	2,320
1.16 Proceeds from the sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other - equity raising costs	-	(108)
Net financing cash flows	-	2,212
Net increase (decrease) in cash held	(610)	459
1.21 Cash at beginning of quarter/year to date	2,493	1,421
1.22 Exchange rate adjustments to item 1.20	(4)	(1)
1.23 Cash at end of quarter	1,879	1,879

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Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	180
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount Available \$A'000	Amount used \$A'000
3.1	Loan facilities		
3.2	Credit standby arrangements	107	-

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	25	49
4.2	Deposits at call	1,747	2,334
4.3	Bank overdraft		
4.4	Other -Term Deposits	107	110
Total: cash at end of quarter (item 1.23)		1,879	2,493

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
2. This statement does give a true and fair view of the matters disclosed.



Sign here:
Company Secretary

Date: 31 January 2012

Print name: Mark Pitts

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Notes

1. Research & Development represents those costs associated with R&D activities other than personnel costs. For the purposes of the Appendix 4C the personnel component of R&D expenditure has been disclosed at item 1.2 (a)(ii) – Technology Staff Costs. R&D expenditure (and Technology Staff costs) has been classified as a cash flow from an operating activity in the current period.
2. Commentary on the cashflow for the period is included in the accompanying update and accordingly the Appendix 4C should be read in conjunction with that report.
3. *Preparation:*
The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position.

The definitions in, and provisions of, *AASB 107: Cash Flow Statements* apply to this report except for the paragraphs of the Standard set out below.

- 20.1 reconciliation of cash flows arising from operating activities to operating profit or loss.
- 51 itemised disclosure relating to maintaining operating capacity
- 52 itemised disclosure relating to segment reporting

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