YR2000 ANNUAL REPORT

pieNETWORKS LIMITED ACN 078 661 444 Public Internet and Email

CORPORATE DIRECTORY

DIRECTORS

David Price

Campbell Smith

Robert McBrier

Diane Sias

SECRETARY

Marc Montandon

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PERTH WA 6000

CONTENTS

CHAIRMAN'S LETTER

Dear Shareholder

On behalf of my fellow directors and the enthusiastic team at pieNETWORKS Limited, I have much pleasure in enclosing our first annual report since listing on the Australian Stock Exchange on April 7th 2000.

It is just a short period of 18 months since the company raised its first amount of capital privately to commercialise the Internet kiosk technology that has been developed over the same time. In that period, the company has achieved some very significant milestones, and for the month of June generated in excess of $57,000.00 in revenue by way of coins deposited in our kiosks.

We have in excess of 450 kiosks in operation throughout Australia, New Zealand and the UK. 130 of that total represent the significant achievement of supplying interactive kiosks to the Victorian Department of Human Services. Since the installation of our kiosks they confirm that the hits to their website have increased by 79 percent.

The board and management team of pieNETWORKS are mindful of ensuring that we maximise every opportunity to grow the business whilst at the same time taking a conservative approach to all the costs associated with the operations of the company.

Whilst the pay per use pieLINK kiosk is our cornerstone product, we are rapidly diversifying into the broader interactive kiosk market. Frost & Sullivan's June 2000 "World Interactive Kiosk Report" predicts this market to be valued in excess of USD12 billion to 2006. In the same report, they predict that in 2006 alone there will be in excess of 400,000 new interactive kiosks worth approximately USD3 billion installed worldwide.

The company strategy is clearly focused on establishing a broadly based network of kiosks in the most cost-effective manner available. The company applies this strategy by seeking large scale roll-outs through partnerships with nationally and internationally represented organisations offering numerous sites with high end-user traffic potential. Trials of the company's pieLINK kiosks are in an advanced stage with some of the most recognisable branded companies in Australia.

Thank you for your support and I look forward to reporting on our future successes.

Yours faithfully

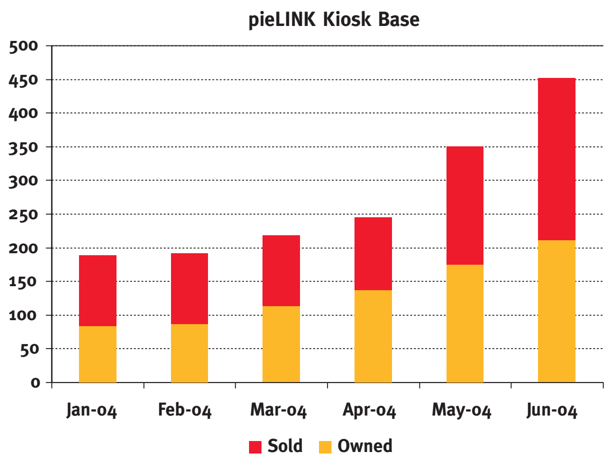
David Price
CHAIRMAN

pieNETWORKS aims to provide the public with equity of access to the internet. The majority of people do not have access to the internet (with only 20-40% market penetration in the Western world so far), and if they do, the access they have is often irregular, inconsistent and often unavailable. The Company, through the pieLINK internet kiosk will provide ubiquitous, convenient and reliable access to the internet.

We are installing the public infrastructure through which advertisers will "funnel" targeted consumers to their web offerings and from which we will "deliver" the web enabled services of today and the future to our channel partners customers. Our technology is designed to take advantage of the power of internet technologies minimising the need for expensive hardware at the consumer end, thus enabling a greater number of installed kiosks. To achieve its objectives, the Company's Directors and management team will continue the expansion and development of pieLINKS and the broader interactive kiosk industry. Since raising $9m and listing on the Australian Stock Exchange in April 2000, the Company has begun engineering of its Generation Three kiosks, commenced operations in the United Kingdom and New Zealand, and successfully developed and commercialised a "free to the consumer" internet kiosk model.

AUSTRALIAN OPERATIONS

The strong sales and marketing drive of the Company over the last 6 months has produced significant results for the Company. In Australia at 31 August 2000, pieNETWORKS had an installed base of over 450 kiosks including installations in each Lend Lease Victorian shopping centre and 130 free access kiosks sold to the Victorian Department of Human Services. Trials currently continue with a number of blue chip potential channel partners including Coles Myer (K-Mart), Caltex, Shell, 7 Eleven, Leisure & Allied Industries (Timezone), Novotel, Nightowl, NZ Post and Hungry Jacks.



As a result of the increasing installed kiosk base, increasing kiosk revenue and a greater number of sold kiosks, revenue from Australian operations increased to $1.5m for the 12 months to 30 June 2000 from $0.3m for the 12 months to 30 June 1999. In the coming year the Company will look to increase kiosk "cash" revenue through point of sale merchandising to raise awareness of kiosk locations and by re-siting kiosks that fail to meet benchmark operating income. The Company has also recently recruited a number of experienced sales and marketing personnel in each of its Perth, Melbourne, Sydney and Brisbane offices which has had an immediate effect on the profile of pieLINKS and resulted in both increased kiosk usage and revenue.

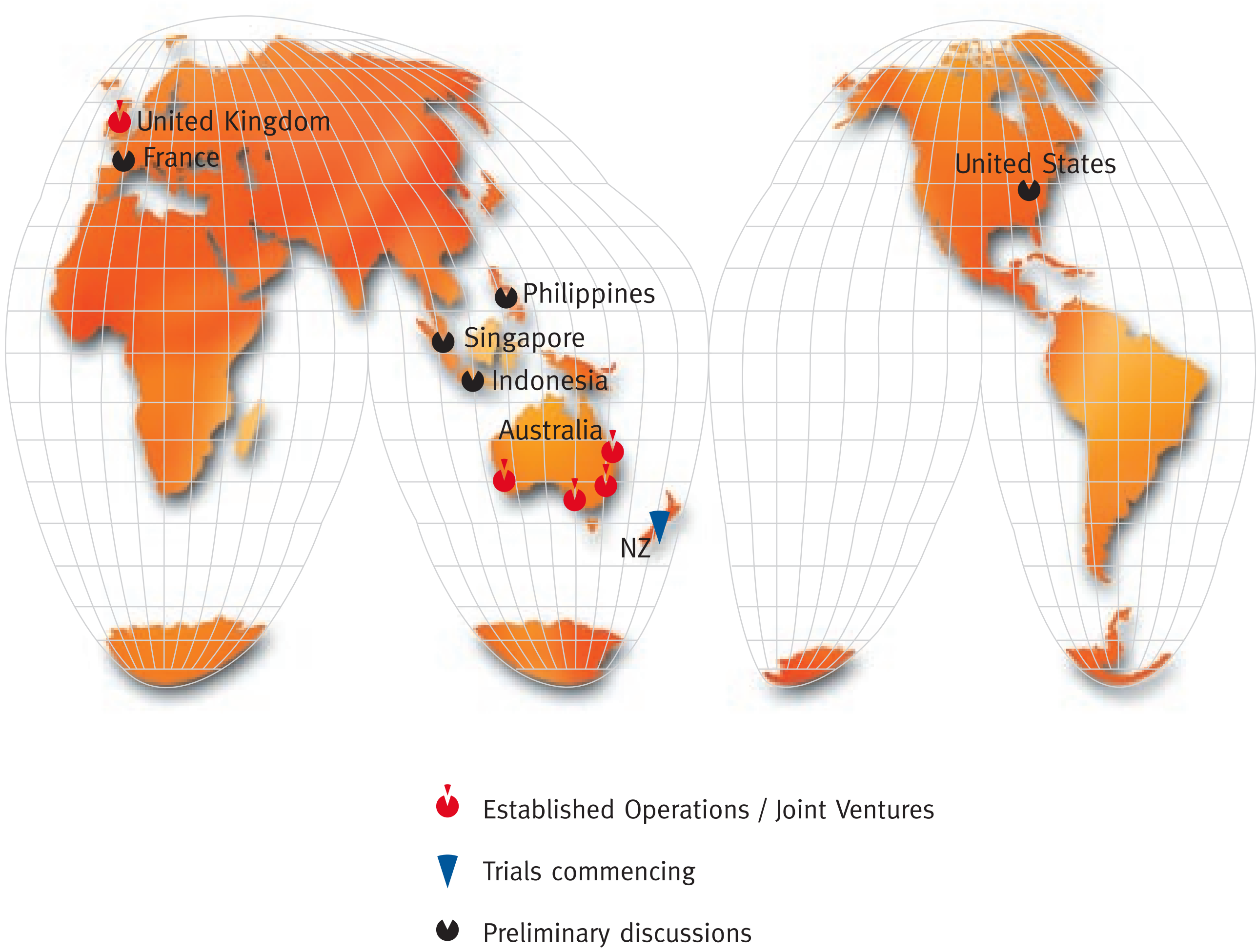
MANAGING DIRECTOR'S REPORT

During the year the Company was awarded a contract to supply 130 stand alone internet Public Access Terminals ("PATS") for the Victorian Department of Human Services ("DHS"). PATS are a free access pieLINK internet kiosk, branded with the DHS "Better Health Channel" logo with access restricted to approved DHS web sites. Following installation of 130 PATS, visits to the Better Health Channel web site increased by 79%, 57% representing visits from a PAT and 43% from other sources. These figures are particularly encouraging as they show that pieLINKS not only drive traffic to web sites while a user is at a kiosk but increase the general awareness of a web site such that return visits occur when that user is utilising non-pieLINK internet access.

The DHS experience augurs well for future advertising and e-commerce revenue. As at 30 June 2000 the Company had derived $27,000 in advertising revenue and since year end has begun advertising trials with Curtin University and Alinta Gas and are in discussions with a number of other interested parties. The Company is budgeting for significant revenue from advertising in the future.

UNITED KINGDOM

In May 2000 pieNETWORKS incorporated a United Kingdom subsidiary and set up an office in London. Since that time the London based team have secured trails with several potentially substantial channel partners including PGA Networks and a UK telco with over 10,000 pay phones. As part of the PGA trial a pieLINK was installed at St Andrews during the British Open Golf tournament to promote the PGA e-commerce portal. The UK and European markets are advancing rapidly and the Company only needs to secure a small proportion to achieve its budget objectives.



PRODUCT DEVELOPMENT

Design

The design and manufacture of the kiosks continues to improve. During the year the Generation Two kiosk housing was designed, prototyped and commercialised and the Company is currently prototyping Generation Three. This is a modular design of only three pieces enabling simple transition from a standing or sitting kiosk to a wall mounted kiosk. It uses a flat liquid crystal display screen providing an aesthetically pleasing kiosk that takes less space and increases versatility at a lower production and freightage cost. Other design improvements targeted for the next 12 months include increasing vandalism resilience of keyboards and improving the ergonomics of the stool arrangement.

To assist the design and product development of pieLINKS, the Company has employed two design, prototyping and manufacturing engineers and taken a facility in Malaga, Western Australia capable of producing 100 kiosks per week. These assets provide rapid response to customer design requests and enable co-branding of pieLINKS as required by our Channel Partners.

MANAGING DIRECTOR'S REPORT

Operating System

We continue to utilise the open source Linux operating system. This has proved a critical competitive advantage against competitors using non-Linux operating systems due to its enhanced stability, functionality and reliability. The Company adapts the Linux operating system to match its requirements and is currently operating pieLINKS on Version 4 operating software. Version 4 enables the pieLINK to be used as either a pay for use or a free to use (as utilised in the DHS contract) kiosk.

Version 5 has recently been completed and this allows a hybrid of pay to use and free to use such that advertisers web sites will be free to access with e-mail and other web sites and applications being charged to the user.

Management System

The Company has developed a web enabled application service that allows pieLINK owners to access management information regarding their pieLINK over the internet. This means that an owner can review the revenue the kiosk has obtained, the average time users are at the kiosk and which web sites they have visited. Version 2 of the ASP is currently being developed which will provide further management information to pieLINK owners.

Future Product Development

The Company has a large technical team continuously working on the development of additional products and in particular will develop products for the banking, ticketing, telecommunications, publishing and music industries. Applications are being developed to incorporate smart card technology, MP3, electronic books and video and voice over internet protocol telephony.

CONCLUSION

After finishing the 30 June 2000 year with over $8.2 million cash, the Company is well positioned to expand its presence in Australia, the United Kingdom and other international markets. pieNETWORKS will continue to develop its product and pursue new revenue streams while maintaining the functionality and reliability that has been the cornerstone of the pieLINK product. This effort is leading an exciting phase of growth and development for the Company that will establish our position in the world interactive kiosk (appliance) market and result in maximising returns for shareholders.

Campbell Smith
Managing Director

The directors present their report together with the financial report of pieNETWORKS Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entity, for the year ended 30 June 2000 and the auditor's report thereon.

DIRECTORS

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

Name	Age	Experience and special responsibilities
David Price (Chair)	54	Co-founder and 50% owner of All Seasons Hotels and Resorts. Non executive director of Harvest Road Limited, chairman of BigRedSky and consultant to several companies in asset management, business development and strategic roles. Appointed 30 July 1999.
Diane Sias (Non-Executive Director)	43	Consults in Europe and North America for McKinsey and Company. Past chair of the Australian Sports Drug Agency and BPAY Pty Ltd. Chair of Audit Committee. Appointed 5 November 1999
Campbell Smith (Managing Director)	35	Over ten years experience in finance and sales and marketing. Co-founder and first managing director of the Company. Appointed 23 May 1997.
Robert McBrier (Technical Director)	45	Wide ranging experience providing information technology solutions in Australia and overseas. Co-founder and first technical director of the Company. Appointed 23 May 1997
Bryan Paul (Executive Director)	44	Extensive experience in sales and marketing in Australia and overseas. Co-founder and original director of the Company. Appointed 23 May 1997, resigned 30 August 1999.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Meetings of the Board of Directors		Meetings of the Audit and Compliance Committee	
	A	B	A	B
David Price	13	13	-	-
Diane Sias	8	8	1	1
Campbell Smith	13	13	-	-
Robert McBrier	13	13	-	-
Bryan Paul	2	2	-	-

A – number of meetings attended
B – number of meetings held during the time the director held office during the year

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were that of software development and public internet kiosk distribution and operation.

REVIEW AND RESULTS OF OPERATIONS

Financial

The operating loss after income tax for the year was $1,096,000 (Year ended 30 June 1999 : $405,000)

Operational

During the year the consolidated entity continued developing its internet kiosk business in Australia and the UK and now operates with over 30 staff from offices in Perth, Melbourne, Sydney, Brisbane and London. Roll out of the 2nd generation kiosk commenced during the year and at 30 June 2000 the consolidated entity had over 450 sold and sited kiosks. Implementation of the 4th generation kiosk operating and management software occurred during the year.

DIVIDENDS

No dividends were paid or declared since the end of the previous financial year. The directors do not recommend a payment of a dividend in respect of the current financial year.

STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

During the financial year ended 30 June 2000 the Company issued:

- 23,970,000 shares to provide additional working capital of $2,397,000. These shares were issued at 10 cents per share, with an additional option attached for every 4 shares purchased.
- 627,250 shares issued at 10 cents per share with an additional option attached for every 4 shares issued in satisfaction of certain loans made by directors.
- 405,000 shares issued at 10 cents per share with an additional option attached for every 4 shares issued in settlement of amounts owing for professional services rendered by a company associated with Mr David Price.
- 30,000,000 shares on admission to the Australian Stock Exchange at $0.30 under the Prospectus dated 28 February 2000, and 500,000 Issuer Options. Net cash received from the capital raising amounted to $8,068,000 and is to be used for the funding of pieNETWORKS operations in Australia and overseas.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS

The consolidated entity will continue to pursue its policy of growing the network and expanding the strategic distribution channels with key customers in Australia and overseas during the next financial year.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

DIRECTORS AND SENIOR EXECUTIVES' EMOLUMENTS

The remuneration of an executive director will be decided by the board, without the executive director participating in that decision making process. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities; and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executive directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity (including operational results and cash flow). Options are also issued under the various option incentive plans. The ability to exercise the options is conditional on the Company achieving certain performance hurdles.

Details of the nature and amount of each major element of the emoluments of each director of the Company and the consolidated entity:

	Base emolument $	Super contributions $	Options issued (A) $	Total $
Director				
David Price	46,500	-	38,707	85,207
Diane Sias	10,625	-	31,340	41,965
Campbell Smith	131,250	-	46,200	177,450
Robert McBrier	122,500	-	36,960	159,460
Bryan Paul (B)	22,500	-	12,012	34,512
Officers				
Neil MacLachlan	25,207	-	-	25,207
Marc Montandon	28,846	2,019	-	30,865

(A) Each option entitles the holder to purchase one ordinary share in the Company. The ability to exercise the options is conditional on the consolidated entity achieving certain performance hurdles. The estimated value disclosed above is calcualted at the date of grant using a Black-Scholes model. Further details of options granted during the year are set out under "Options" below.

(B) Bryan Paul resigned as a director on 30 August 1999.

DIRECTORS' REPORT

OPTIONS GRANTED TO DIRECTORS AS PART OF THEIR REMUNERATION

During or since the end of the financial year, the Company granted options or issued ordinary shares to the following directors of the Company as part of their remuneration:

	1999/2000 Option Plan Options (1)	pie Option Plan Options (2)
Directors		
David Price	200,000	300,000
Diane Sias	150,000	250,000
Campbell Smith	-	500,000
Robert McBrier	-	400,000
Bryan Paul	-	130,000
Officers		
Neil MacLachlan	-	-
Marc Montandon	-	-

(1) 1999/2000 Option Plan Options – exercisable 33% on or before 7 April 2001, 33% on or before 7 April 2002 and 34% on or before 7 April 2003 at $0.20 each.

(2) pie Option Plan Options – exercisable on or before 25 February 2005 at $0.30 each provided that the Company's shares trading on Australian Stock Exchange at not less than $0.60 each.

Other options issued to directors and officers of the Company do not form part of their remuneration and hence have not been included above. Full details of these additional options are set out in note 19 to the financial report.

*All options were granted during the financial year. No options have been granted since the end of the financial year.

OPTIONS GRANTED TO DIRECTORS AS PART OF THEIR REMUNERATION (CONTINUED)

At the date of this report unissued ordinary shares of the Company under option are:

Option Plan	Exercise Price	Number of shares
Founder Options (1)	see below	4,500,000
Mezzanine Options (2)	$0.50	6,250,565
1999/2000 Option Plan Options (3)	$0.20	350,000
pie Option Plan Options (3)	$0.30	2,080,000

(1) Founder Options:

33% exercisable on or before 7 April 2002 at $0.20 each;

33% exercisable on or before 7 April 2003 at $0.25 each;

34% exercisable on or before 7 April 2004 at $0.30 each.

(2) Mezzanine Options – exercisable on or before 18 January 2005 at $0.50 each.

(3) Options expire on the earlier of their expiry date as detailed above or termination of the employees employment.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

The Company has not issued any ordinary shares as a result of the exercise of options.

DIRECTORS' INTERESTS

The relevant interest of each director in the share capital of the companies within the consolidated entity, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Law, at the date of this report is as follows:

	Ordinary Shares	Options over Ordinary Shares
David Price	2,651,667	963,750
Diane Sias	920,000	450,000
Campbell Smith	10,354,131	2,024,367
Robert McBrier	10,191,317	1,883,662

DIRECTORS' REPORT

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

The Company has agreed to indemnify the following current directors of the Company, Mr David Price, Mr Campbell Smith, Mr Robert McBrier and Ms Diane Sias against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving lack of good faith. This agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of the conduct involving lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums of $16,239 in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including executive officers of the Company and directors, executive officers and secretaries off its controlled entity. The insurance premium relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and

- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The premiums were paid in respect of all directors, officers and executive officers.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors report have been rounded off to the nearest thousand dollars, unless it otherwise stated.

Dated at Perth this 12th day of September, 2000.
Signed in accordance with a resolution of the directors.

Campbell Smith
Managing Director

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 30 JUNE 2000

	Note	Consolidated	Parent Entity	
		2000	2000	1999
		$'000	$'000	$'000
Revenue	2	1,295	1,287	306
Operating loss before income tax		(1,096)	(1,103)	(405)
Income tax benefit attributable to operating loss	5	-	-	-
Operating loss after income tax		(1,096)	(1,103)	(405)
Accumulated losses at the beginning of the financial year		(432)	(432)	(27)
Accumulated losses at the end of the financial year		(1,528)	(1,535)	(432)

The profit and loss statement is to be read in conjunction with the notes to of the financial statements set out on pages 15 to 31.

FINANCIAL STATEMENTS

BALANCE SHEET AS AT 30 JUNE 2000

	Note	Consolidated	Parent Entity	
		2000	2000	1999
		$'000	$'000	$'000
Current Assets				
Cash	22	8,248	8,205	129
Receivables	6	389	382	9
Other	7	9	9	-
Total Current Assets		8,646	8,596	138
Non-Current Assets				
Receivables	6	-	109	-
Investments	8	-	10	-
Property, plant and equipment	9	1,080	1,004	132
Intangibles	10	48	48	-
Other	7	598	598	-
Total Non-Current Assets		1,726	1,769	132
Total Assets		**10,372**	**10,365**	**270**
Current Liabilities				
Accounts Payable	11	743	743	68
Provisions	12	29	29	2
Borrowings – shareholders' loans	19	-	-	72
Total Current Liabilities		772	772	142
Net Assets		**9,600**	**9,593**	**128**
Shareholders Equity				
Share Capital	13	11,128	11,128	560
Accumulated Losses		(1,528)	(1,535)	(432)
Total Shareholders Equity		**9,600**	**9,593**	**128**

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 15 to 31.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2000

	Note	Consolidated	Parent Entity	
		2000	2000	1999
		$'000	$'000	$'000
Cash flows from operating activities				
Cash receipts in the course of operations		728	728	324
Cash payments in the course of operations		(1,660)	(1,402)	(659)
Interest received		149	149	-
Net cash used in operating activities	22(ii)	(783)	(525)	(335)
Cash flows from investing activities				
Payments for property, plant and equipment		(833)	(776)	(137)
Payments for brand development and trademarks	10	(63)	(63)	-
Payments for research and development	7	(658)	(658)	-
Loans to subsidiary	6	-	(225)	-
Investment in subsidiary	8	-	(132)	-
Net cash used in investing activities		(1,554)	(1,854)	(137)
Cash flows from financing activities				
Proceeds from share issues		11,397	11,397	560
Equity raising costs	13	(932)	(932)	-
Proceeds from / (repayment) of				
Borrowings	14	(10)	(10)	29
Net cash provided by financing activities		10,456	10,455	589
Net increase in cash held		8,119	8,076	117
Cash at the beginning of the financial year		129	129	12
Cash at the end of the financial year	22(i)	8,248	8,205	129

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 15 to 31.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Principles of consolidation

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entity ("the consolidated entity").

The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

The Company established its first controlled entity during the year. As such, there are no prior year comparatives for the consolidated Balance Sheet, Profit and Loss or Statement of Cash Flows.

(c) Revenue recognition

SALES REVENUE
Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products or services. Sales revenue is recognised when the goods are provided, or when the fee in respect of services provided is receivable.

INTEREST INCOME
Interest income is recognised as it accrues.

ASSET SALES
The gross proceeds of asset sales not originally purchased for the intention of resale are included as revenue at the date an unconditional contract of sale is signed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign Currency

TRANSACTIONS

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the profit and loss statement in the financial year in which the exchange rates change.

(e) Taxation

INCOME TAX

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

(f) Non-current assets

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Receivables

TRADE DEBTORS

Trade debtors to be settled within 60 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(h) Investments

CONTROLLED ENTITY

Investment in controlled entity is carried in the Company's financial statements at the lower of cost and recoverable amount.

(i) Property, plant and equipment

ACQUISITION

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

The cost of property, plant and equipment constructed by the company includes the cost of materials and direct labour, an appropriate proportion of fixed and variable overheads and capitalised interest.

SUBSEQUENT ADDITIONAL COSTS

Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the company in future years. Where these costs represent separate components they are accounted for as separate assets and are separately depreciated over their useful lives.

DEPRECIATION AND AMORTISATION

Items of property, plant and equipment are depreciated/amortised using the straight line method over their estimated useful lives.

The depreciation rates used for each class of asset are as follows:

- Plant and equipment 20-40%

  Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Patents and trademarks

The costs of patents and trademarks are amortised over three years. The carrying amount of patents and trademarks are reviewed at the end of each accounting period.

(k) Research and development costs

Research and development is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred and amortised on a straight line basis over the period in which the related benefits are expected to be realised being three years from the date on which the expenditure is incurred.

(l) Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity. Trade accounts payable are normally settled within 60 days.

(m) Employee entitlements

WAGES, SALARIES, ANNUAL LEAVE AND SICK LEAVE

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represents the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and includes related on-costs.

OPTION PLAN

The Company granted options to certain employees and directors under the Company's option plans. Further information is set out in note 19 to the financial statements. Other than the costs incurred in administering the plans which are expensed as incurred, the plans do not result in any expense to the consolidated entity.

SUPERANNUATION PLAN

The Company contributes to several defined contribution superannuation plans. Contributions are charged against income as they are made.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	Consolidated	Parent Entity	
	2000	2000	1999
	$'000	$'000	$'000
2. REVENUE			
Revenue from operating activities			
Sales of goods	1,146	1,138	306
Interest received	149	149	-
	1,295	1,287	306
3. OPERATING LOSS			
Operating loss before income tax has been arrived at after charging the following items:			
Depreciation of plant and equipment	148	144	10
Amortisation of research and development expenditure	60	60	-
Amortisation of other intangibles	15	15	-
Provision for non-recovery of loan to subsidiary	-	116	-
Provision for diminution in value of investment in subsidiary	-	122	-
Net expense from movements in provision for employee entitlements	74	74	2
Operating lease rental expense:			
minimum lease payments	32	32	11
4. AUDITORS REMUNERATION			
Audit services:			
Auditors of the company	16,500	16,500	2,500
Other services:			
Auditors of the company	40,635	40,635	3,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	Consolidated 2000 $'000	Parent Entity 2000 $'000	Parent Entity 1999 $'000
5. INCOME TAX			
(a) Income tax expense			
Prima facie income tax expense calculated at 36% (1999: 36%) on the operating loss	(395)	(397)	(146)
Decrease in income tax benefit due to:			
Legal expenses	-	-	6
Corporate advice fees	-	-	15
Consulting fees	-	-	37
Total income tax benefit on operating loss calculated at 36%	(395)	(397)	(88)
Income tax benefit restated to 34% due to a reduction in company income tax rates for the year ended 30 June 2001. The income tax benefit is not expected to be reversed prior to that date	22	22	-
Less: Future income tax benefit not brought to account	373	375	87
Income tax on operating loss	-	-	-
The potential future income tax benefit arising from tax losses has not been recognised as an asset because recovery is not virtually certain at 34%	-	-	-

The potential future income tax benefit will only be obtained if:

(i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;

(ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	Consolidated	Parent Entity	
	2000	2000	1999
	$'000	$'000	$'000
6. RECEIVABLES			
Current			
Trade debtors	325	318	9
Other debtors	64	64	-
	389	382	9
Non-current			
Loan to controlled entity	-	225	-
Provision for non-recovery	-	(116)	-
	-	109	-
7. OTHER			
Current			
Prepayments	9	9	-
Non-current			
Capitalised research and development expenses	658	658	-
Accumulated amortisation	(60)	(60)	-
	598	598	-
8. INVESTMENTS			
Investment in controlled entity (Note 20)	-	132	-
Provision for diminution in value	-	(122)	-
	-	10	-
9. PROPERTY, PLANT AND EQUIPMENT			
Plant and equipment			
At cost	1,228	1,148	144
Accumulated depreciation	(148)	(144)	(12)
	1,080	1,004	132
10. INTANGIBLE ASSETS			
Trademarks – at cost	13	13	-
Accumulated amortisation	(5)	(5)	-
	8	8	-
Brand development	50	50	-
Accumulated amortisation	(10)	(10)	-
	40	40	-
	48	48	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	Consolidated	Parent Entity	
	2000	2000	1999
	$'000	$'000	$'000
11. ACCOUNTS PAYABLE			
Trade creditors	325	325	43
Other creditors and accruals	418	418	25
	743	743	68
12. PROVISIONS			
Annual leave	29	29	2
13. SHARE CAPITAL			
Issued and paid up capital			
96,202,250 (30 June 1999: 20,600,000)			
Ordinary shares fully paid		11,128	560
Movements in ordinary share capital			
Balance at the beginning of the financial year		560	-
Shares Issued:			
11,200,000 at 5 cents each		-	560
23,914,000 at 10 cents each		2,391	-
55,000 at 10 cents each		5	-
627,250 at 10 cents each		63	-
405,000 at 10 cents each		41	-
30,000,000 at 30 cents each		9,000	-
Less equity raising costs		(932)	-
		11,128	560

During the financial year ended 30 June 2000 the company issued:

- 23,970,000 shares to provide additional working capital of $2,397,000. These shares were issued at 10 cents per share, with an additional option attached for every 4 shares purchased.
- 627,250 shares issued at 10 cents per share with an additional option attached for every 4 shares issued in satisfaction of certain loans made by directors.
- 405,000 shares issued at 10 cents per share with an additional option attached for every 4 shares issued in settlement of amounts owing for professional services rendered by a company associated with Mr David Price.
- 30,000,000 shares on admission to the Australian Stock Exchange at $0.30 under the Prospectus dated 28 February 2000, and 500,000 Issuer Options. Net cash received from the capital raising amounted to $8,068,000 and is to be used for the funding of pieNETWORKS operations in Australia and overseas.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

14. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted average interest rate	Floating interest rate $'ooo	Fixed interest maturing in 1 year or less $'ooo	Non-interest bearing $'ooo	Total
2000						
FINANCIAL ASSETS						
Cash		6.1%	1,248	7,000	-	8,248
Receivables		-	-	-	389	389
			1,248	7,000	389	8,637
FINANCIAL LIABILITIES						
Accounts payable			-	-	743	743
Employee entitlements			-	-	29	29
					772	772
1999						
FINANCIAL ASSETS						
Cash		4.8%	129	-	-	129
Receivables		-	-	-	9	9
			129	-	9	138
FINANCIAL LIABILITIES						
Accounts payable		-	-	-	68	68
Employee entitlements		-	-	-	2	2
Loans		-	-	-	72	72
			-	-	142	142

(b) Credit risk exposure

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted. The credit risk on financial assets of the consolidated entity which have been recognised on the balance sheet is the carrying amount, net of any provision for non recovery. The consolidated entity not materially exposed to an individual customer other than a government entity.

(c) Net fair values

The net fair value of assets and liabilities approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to and forming part of the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	Consolidated	Parent Entity	
	2000	2000	1999
	$'000	$'000	$'000
15. COMMITMENTS			
Capital expenditure commitments			
Contracted but not provided for and payable:			
Not later that one year	-	-	6
Later than one year, but not later than two years	-	-	-
Later than two years, but not later than five years	-	-	-
Later than five years	-	-	-
	-	-	6
Operating lease commitments			
Future operating lease rentals not provided for in the financial statements and payable :			
Not later that one year	54	54	46
Later than one year, but not later than two years	-	-	39
Later than two years, but not later than five years	-	-	-
Later than five years	-	-	-
	54	54	85
16. EMPLOYEE ENTITLEMENTS			
Aggregate employee entitlements, including on costs			
Current	29	29	2

Superannuation plans

The Company contributes to several defined contribution employee superannuation plans.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

	Consolidated	Parent Entity	
	2000	2000	1999
	$'000	$'000	$'000
17. DIRECTORS REMUNERATION			
Directors' income			
The number of directors of the Company whose income from the Company or any related party falls within the following bands:			
$10,000 - $19,999	1	1	1
$20,000 - $29,999	2	1	-
$30,000 - $39,999	-	-	1
$40,000 - $49,999	1	1	-
$90,000 - $99,999	-	-	1
$100,000 - $109,999	-	-	1
$110,000 - $119,999	-	-	1
$120,000 - $129,999	1	1	-
$130,000 - $139,999	1	1	-
Total income paid or payable, or otherwise made available, to all directors of the company from the company or any related party	358	333	358
18. EXECUTIVES REMUNERATION			
The number of executive officers of the Company whose income from the Company or any related party falls within the following bands:			
$100,000 - $109,999	-	-	1
$110,000 - $119,999	-	-	1
$120,000 - $129,999	1	1	-
$130,000 - $139,999	1	1	-
Total income paid or payable, or otherwise made available, to all executives of the company from the company or any related party	254	254	218

Executives remuneration includes amounts paid by the Company during the year to indemnify executives, and an allocation of insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses' insurance contracts, in accordance with common commercial practice.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

19. RELATED PARTIES

Directors

The names of each person holding the position of director of pieNETWORKS Limited during the financial year are Mr David Price, Ms Diane Sias, Mr Campbell Smith and Mr Robert McBrier. Mr Bryan Paul resigned as a director during the year.

Details of directors remuneration are set out in note 17.

Apart from the detail disclosed in this note, no director has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors' interest existing at year end.

Loans from directors

	Consolidated	Parent Entity	
	2000	2000	1999
	$'000	$'000	$'000
Robert McBrier	-	-	27
Campbell Smith	-	-	33
Bryan Paul (past director)	-	-	12
	-	-	72

On 2 July 1999 $10,000 was paid to Robert McBrier as part repayment of loan. On 18 January 2000 the remaining directors loans were settled via an issue of fully paid ordinary shares at a nominal value of 10 cents each and the issue of 1 Mezzanine Option for every 4 shares issued.

Directors' holdings of shares and share options

The interests of directors of the reporting entity and their director-related entities in shares and share options of entities within the consolidated entity at year end are set out below:

	2000	1999
	Number held	Number held
pieNETWORKS Limited:		
Ordinary shares	24,387,115	9,600,000
Options over ordinary shares	5,384,279	2,880,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

19. RELATED PARTIES (Continued)

Directors' transactions in shares and share options

During the year pieNETWORKS Limited granted options over 350,000 1999/2000 Option Plan options and 2,080,000 pie Option Plan options. Of these 350,000 and 1,580,000 respectively were granted to directors and their director-related entities on the same terms and conditions as those granted to other participants. None of the options granted to directors and their director related entities have been exercised.

As at 30 June 2000 directors and their director-related entities had the following interest in shares and share options of the Company:

	Ordinary Shares	Founder Options	Mezzanine Options	1999/2000 Option Plan Options	pie Option Plan Options
Mr D Price	2,651,667	-	463,750	200,000	300,000
Ms D Sias	920,000	-	50,000	150,000	250,000
Mr C Smith	10,624,131	1,440,000	146,867	-	500,000
Mr R McBrier	10,191,317	1,440,000	43,662	-	400,000

Other transactions with the Company or its controlled entity

On 17 May, 1999, Eureka Technology Corporation Limited contracted Daccsar Pty Ltd ("Daccsar"), a company associated with Mr David Price, for a period of 12 months at the rate of $3,000 per month. The total amount paid to Daccsar for the period was $18,000. Daccsar provides corporate advisory services including operational reviews, directors advice, formulation of budgetary process and the establishment of performance and sales milestones for the Company. On 18 January 2000, an amount of $40,500 owing to Mr David Price was settled by the issue of 405,000 ordinary shares together with 101,250 Mezzanine Options exercisable at 50 cents each.

On 25 February 2000 pieNETWORKS Limited, Gocom Pty Ltd and Campbell Smith entered into a Consultancy Agreement pursuant to which the Company agreed to engage Gocom Pty Ltd as consultant to provide the services of Campbell Smith as managing director of the Company for a fixed term of 3 years. The fee to be paid to Gocom Pty Ltd is $175,000 per annum with the ability to earn a cash bonus of up to an additional $60,000 per annum if the Company achieves benchmarks which are to be determined by the independent directors of the Company.

On 25 February 2000 the pieNETWORKS Limited, Cerise Bay Pty Ltd and Robert McBrier entered into a Consultancy Agreement pursuant to which the Company agreed to engage Cerise Bay Pty Ltd as consultant and to provide the services of Robert McBrier as technical director of the Company for a fixed term of 3 years. The fee to be paid to Cerise Bay Pty Ltd is $150,000 per annum with the ability to earn a cash bonus of up to an additional $20,000 per annum if the Company achieves benchmarks which are determined by the independent directors of the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

19. RELATED PARTIES (Continued)

Other transactions with the Company or its controlled entity (continued)

From time to time directors of the Company or its controlled entity, or their director-related entities, may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature.

Wholly-owned group

Details of interest in the wholly-owned controlled entity are set out at note 20. Details of dealings with the entity are set out below.

LOANS
Loans between entities in the wholly-owned group are non-interest bearing and have no set term.

OTHER TRANSACTIONS
The Company provides operational assets to the wholly-owned entity and provides management advice for which it receives no fee.

BALANCES WITH ENTITIES WITHIN THE WHOLLY OWNED GROUP
The aggregate amounts receivable from the wholly-owned controlled entity by the Company at balance date:

	The Company	
	2000	**1999**
	$'000	**$'000**
Receivables – non current		
Other loans	109	-

20. INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2000	**1999**
			%	**%**
pieNETWORKS plc	United Kingdom	Ordinary	100	-

The company was incorporated during the year. Share capital subscribed represented in net assets at date of incorporation was $132,000.

FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

21. SEGMENT INFORMATION

Industry Segments

The company operates within the internet kiosk industry.

Geographical Segments

	Australia $'000	United Kingdom $'000	Intersegment Eliminations	Consolidated $'000
2000				
Sales to customers outside the consolidated entity	1,138	8	-	1,146
Other revenue	149	-	-	149
Total revenue	1,287	8	-	1,295
Segment result	(1,103)	(231)	238	(1,096)
Segment assets	10,365	127	(120)	10,372

1999

The company operated entirely within Australia for the year ended 30 June 1999.

22. NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and deposits maturing within the year. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	Consolidated	Parent Entity	
	2000 $'000	2000 $'000	1999 $'000
Cash on hand and at bank	1,248	1,205	129
Short term deposits	7,000	7,000	-
	8,248	8,205	129

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

22. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(ii) Reconciliation of operating loss after income tax to net cash provided by operating activities

	Consolidated	Parent Entity	
	2000	**2000**	**1999**
	$'000	**$'000**	**$'000**
Operating loss after income tax	(1,096)	(1,103)	(405)
Add non-cash items:			
Depreciation and amortisation	225	221	10
Provision against loans to and investment in subsidiary	-	238	-
Issue of shares as consideration for services	41	41	-
Net cash provided by operating activities before change in assets and liabilities:	(830)	(603)	(395)
Change in assets and liabilities during the financial year:			
(Increase)/decrease in prepayments	(9)	(9)	-
(Increase)/decrease in debtors	(380)	(373)	4
(Decrease)/increase in accounts payable	409	433	54
(Decrease)/increase in provisions	27	27	2
Net cash used in operating activities	(783)	(525)	(335)

(iii) Non-cash financing activities

During the year the consolidated entity repaid directors loans with an aggregate fair value of $62,725 (30 June 1999: Nil) by way of an issue of shares and options (note 18), and issued shares and options in satisfaction of certain services received by directors to an aggregate fair value of $40,500 (see note 18). These transactions have not been reflected in the statement of cash flows.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

23. EARNINGS PER SHARE

	Consolidated	
	1999	**2000**
	Cents	**Cents**
Basic loss per share	2.07	1.25
Diluted loss per share	1.92	1.22
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	52,960,847	32,332,055
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted loss per share	57,078,724	33,269,041

Classification of securities as potential ordinary shares

OPTIONS

Options to purchase ordinary shares not exercised at 30 June 2000 have not been included in the determination of basic earnings per share, but have been included in the determination of diluted earnings per share.

In the opinion of the directors of pieNETWORKS Limited:

(a) the financial statements and notes, set out on pages 12 to 31, are in accordance with the Corporations Law, including:

(i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2000 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations; and

(b) there are reasonable grounds to believe that the Company and consolidated entity will be able to pay its debts as and when they become due and payable.

Dated at Perth this 12th day of September 2000

Signed in accordance with a resolution of the directors:

Campbell Smith
Managing Director

KPMG

ABN: 51 194 660 183

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF pieNETWORKS LIMITED

Scope

We have audited the financial report of pieNETWORKS Limited for the financial year ended 30 June 2000, consisting of the profit and loss statements, balance sheets, statement of cash flows, accompanying notes 1 to 23, and the directors' declaration set out on pages 12 to 32. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the year end or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's and consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of pieNETWORKS Limited is in accordance with:

a) the Corporations Law, including:

   i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2000 and of their performance for the financial year ended on that date; and

   ii. complying with Accounting Standards and the Corporations Regulations; and

b) other mandatory professional reporting requirements.

KPMG

KPMG

A M Kitchen

A M KITCHEN
Partner

Perth
13th September 2000

Corporate Governance Practices and Conduct

The board has adopted corporate governance policies which are summarised below. The board is responsible for the governance of the Company including its strategic development and the direction and control of the operations of the Company. Subject to the Company's constitution, the issues of board composition and the selection criteria for directors are dealt with by the board. The chairman and the managing director of the Company will regularly review the performance of the Board to ensure that the Board continues to have a mix of skills and experience necessary for the conduct of the activities of the Company.

Directors, in carrying out their duties as directors, may, after prior consultation with the chairman, seek independent advice at the expense of the Company.

Audit and Compliance Committee

On 30 May 2000, the Company held its first meeting of the Audit and Compliance Committee, adopted its terms of reference and elected its 3 members. The Audit and Compliance Committee shall be convened at regular intervals and as required by corporate governance matters arising from time to time. The Audit and Compliance Committee's main activities comprise the overview of the company's accounting and financial reporting, relationship with the auditors, legal compliance, internal control procedures and risk management.

Current members include Diane Sias, chair of the committee and non-executive director, Jason Clifton, general manager and Marc Montandon, company secretary.

Remuneration Arrangements

The remuneration of an executive director will be decided by the board, without the executive director participating in that decision making process.

The level of non executive directors' fees is to be reviewed annually by the board following the review by the chairman and the managing director and will take into consideration additional time required for involvement in various committees. The executive directors will receive no fees as directors.

Identification and Management of Risk

The board's collective experience will ensure accurate identification of the principle risks which may affect the Company's business. Management of these risks will be discussed by the board at periodic strategic planning meetings. In addition, key operational risks and their management will be recurring items for consideration at board meetings.

Share Restriction policy

The Company has adopted a trading restriction policy applying to all manager level employees as of 30 May 2000.

Ethical Standards

The directors of the Company acknowledge the need for the highest standard of corporate governance practices and ethical conduct by all directors, employees and contractors of the Company.

The directors have adopted the Code of Conduct issued by the Australian Institute of Company Directors.

ADDITIONAL INFORMATION

Substantial Shareholders

As at 4 September 2000, substantial shareholders in pieNETWORKS Limited, and the number of equity securities held are listed below:

Holder and Associate	No. of Shares	Founders Options	Mezzanine Options	Pie Option Plan Options
Campbell Smith; Gocom Pty Ltd	10,354,131	1,440,000	84,367	500,000
Robert McBrier; Cerise Bay Pty Ltd	10,191,317	1,440,000	43,662	400,000
Bryan Paul; Giverny Holdings Pty Ltd	10,131,802	1,440,000	28,785	130,000

The number of Holders of Each Class of Securities as at 4 September 2000

Number of Holders	Description
903	Ordinary fully paid shares
4	Founders options
2	1999/2000 Option Plan Options
19	Mezzanine Options
5	Pie Option Plan Options
1	Underwriter Options (1)

(1) The terms and conditions of these options are the same as the Pie Option Plan Options.

Voting Rights

The voting rights attaching to each class of securities are set below.

FULLY PAID ORDINARY SHARES:
Each shareholder is entitled to vote in person or by proxy, attorney or representative.

On a show of hands, every person present, who is a shareholder or a proxy, attorney or representative of a shareholder has one vote, and on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote per share.

OPTIONS:
No voting rights

Distribution Schedule of Holders of Equity Securities as at 4 September 2000

	1-1,000	1,001-5,000	5,001-10,000	10,001-100,000	100,001-Max
Fully paid ordinary shares	11	154	232	435	71
Founders Options	-	-	-	-	4
Mezzanine Options	-	-	-	9	10
99/00 Option Plan Options	-	-	-	-	2
Pie Option Plan Options	-	-	-	-	5
Underwriter Options	-	-	-	-	1

Number of holders holding less than a marketable parcel of fully paid ordinary shares as at 4 September 2000: 54

20 Largest Holders of Quoted Equity Securities as at 4 September 2000

Rank and Name	No. Shares Held	% Capital
1. Gocom Pty Ltd	9,853,131	10.24
2. Cerise Bay Pty Ltd	9,691,317	10.07
3. Giverny Holdings pty Ltd	9,631,802	10.10
4. Exchange Nominee Pty Ltd	6,443,062	6.97
5. ECAT Development Capital Limited	5,000,000	5.20
6. Phoenix Properties International Pty Ltd	4,666,667	4.85
7. Exchange Nominees Pty Ltd	2,810,001	2.92
8. Enerview Pty Ltd	2,560,000	2.66
9. Trovex Pty Ltd	2,450,000	2.55
10. Ryan Australia Pty Ltd	2,400,000	2.49
11. Westpac Custodian Nominees limited	2,350,000	2.44
12. Mr Swee Khoon Lee	2,000,000	2.08
13. Mr Patrick D'Cruze	1,200,000	1.25
14. Daccsar Pty Ltd	1,196,667	1.24
15. Mr David Price	1,055,000	1.10
16. Ms Diane Lee Sias	920,000	0.96
17. Delores Caboche	850,000	0.94
18. Toltec Holdings Pty Ltd	700,000	0.73
19. Bow Lane Nominees Pty Ltd	650,000	0.67
20. Bay securities Pty Ltd	600,000	0,62

ADDITIONAL INFORMATION

Restricted Securities as at 4 September 2000

Securities	Amount on Escrow	Date of Release from Escrow
Fully paid ordinary Shares	14,713,334	16 December 2000
	31,723,173	7 April 2002
Mezzanine Options	5,517,500	16 December 2000
	733,065	7 April 2002
Founders Options	180,000	2 August 2000
	4,320,000	7 April 2002
Pie Option Plan Options	1,580,000	7 April 2002
99/00 Option Plan Options	350,000	7 April 2002
Underwriter Options	500,000	7 April 2002

Unquoted Securities on Issue as at 4 September 2000:

Unquoted Securities	No. on issue	No. of Holders
Mezzanine Options	6,250,565	18
Founders Options	4,500,000	4
Pie Option Plan Options	1,580.000	5
99/00 Option Plan Options	350,000	2
Underwriter Options	500,000	1

Names of Persons Holding more than 20% of a Given Class of Unquoted Securities:

Securities	Name	No. of Securities as at 11 September 2000
Mezzanine Options	Phoenix Properties Pty Ltd	1,750,000
Founder Options	Cerise Bay Pty Ltd	1,440,000
	Gocom Pty Ltd	1,440,000
	Giverny Holdings Pty Ltd	1,440,000
Underwriter Options	CIBC World Market Securities Limited	500,000

On-Market Buy Back

There is currently no On-Market Buy-Back effected by pieNETWORKS Limited.

Use of Cash and Assets

During the time from the admission of pieNETWORKS Limited on the Australian Stock Exchange to the 30 June 2000, pieNETWORKS Limited has consistently used all cash and assets readily convertible into cash available at the time of its admission in a way consistent with its business objectives.

pie networks