PIPE Networks Limited

ABN 21 099 104 122

Appendix 4E
ASX Preliminary Final Report
30 June 2006

Lodged with the ASX under Listing Rule 4.3A

Contents

Results for Announcement to the Market

Summary of Financial Information

Extracts from this report for announcement to the market:

Comparative information presented in this financial report is for the year ended 30 June 2005.

Full Year Comparison

	12 months ended 30 June 2006 $ (,000)	12 months ended 30 June 2005 $ (,000)	Movement $(,000)	Movement %
Revenue from continuing operations	13,213	4,716	8,497	180%
Profit (loss) after income tax for the half-year attributable to members	2,838	846	1,992	235%
Net profit (loss) for the period attributable to members	2,838	846	1,992	235%
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	4,723	1,471	3,252	221%

Earnings per Share and Net Tangible Asset backing

	30 June 2006 Cents	30 June 2005 Cents
Basic earnings per security	8.28	2.90
Diluted earnings per security	8.24	2.89
Net tangible assets per security	54.70	16.60

Ratios

	30 June 2006 %	30 June 2005 %
Profit before tax / revenue Profit (loss) from ordinary activities before tax as a percentage of revenue	30%	25%
Profit after tax / equity interests Net profit (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	13%	16%

Dividends

The Company has not paid any dividend in the current period. At a meeting of the board of directors on the 9th August 2006, the Directors declared a fully franked dividend on ordinary shares of 2 cents per share payable on 13th November, 2006 to shareholders registered as at 5:00pm on the 31st October, 2006.

Significant Dates

	Date
Annual Report and Notice of Proxy mailed by.	20 September 2006
Annual General Meeting *	24 October 2006

** The Annual General Meeting will be held on Tuesday 24th October, 2006 at 11:00am at the Riverside Auditorium, Level 5, Riverside Centre, 123 Eagle Street, Brisbane, Queensland 4000.*

Highlights of Results

The Company achieved a net profit after tax from ordinary activities of $2.84 million for the year being an increase of 235% on the prior year. This reflects a 180% increase in revenue to $13.21 million on the back of a 772% growth in fibre capacity.

Profit margins overall rose to 30% over the year from 25% for the prior year. Return on Equity fell slightly to 13% as a result of increased equity from a rights issue and placement in the second half of the year. Investment in new revenue generating assets can be seen by the growth in net tangible assets (NTA) to 54.70 cents per share from 16.60 cents per share as at the same period last year.

Review of Operations

A review of the operations of the Company during the financial year and significant changes in the state of affairs of the Company is as follows:

The 2005/06 financial year is the first full year of operations of the Company as an ASX listed public company. The Company has focussed efforts in expanding its fibre optic network beyond the Company's initial Brisbane network while continuing to organically increase revenues from co-location and peering services.

The growth in assets has seen NTA improve from 16.60 cents per share as at June 2005 to 54.70 cents per share as at June 2006 and has driven revenue growth of 180%. The growth in revenue combined with an improved profit margin has seen diluted EPS grow from 2.89 cents per share for the prior financial year, to 8.24 cents per share this financial year.

Fibre assets have been the primary driver of revenue growth due to investment in new capacity and increased fibre available for lease. Total fibre available for lease has risen from 10.66 million metres at June 2005 to 26.25 million metres at December 2005 and to 92.92 million metres available at June 2006. Of total fibre available, leased fibre has risen from 2.02 million metres at June 2005 to 3.50 million metres at December 2005 and 14.42 million metres leased as at June 2006. Available capacity for new sales stands at 84.5% with the network footprint being 559 kilometres in metropolitan Brisbane, Sydney and Melbourne.

In accordance with our stated investment approach, the investment in fibre assets is on the back of quality medium to long term contracts with large corporate, government and ISP customers. The Company has won over $50 million in contracts during the financial year with most being signed on a 3 to 5 year basis. Of particular note were contracts to supply dark fibre to Springfield Land Corporations new Greater Springfield development, backhaul capacity to both iiNet and TPGi to support ADSL2+ rollouts on the east coast and establishing Brisbane metropolitan networks for various State Government departments including Premier and Cabinet as well as Transport.

The increased demand for the Company's Dark Fibre is in line with recent research from Market Clarity as reported in the leading industry publication *Communications Day*. This research points to growth in Dark Fibre service revenues of 165% over the next few years, with Ethernet and IP revenues also growing strongly. PIPE Networks is well positioned to capitalise on this expected growth.

Growth in the business has seen an increase in costs associated with the delivery of services ($1.54 million in 2005 rising to $3.44 million in 2006), as well as staff numbers from 15 to 40 ($1.00 million in 2005 rising to $2.87 million in 2006). Due to the increase in network capacity and engineering involved, the Company has actively worked to contain costs to ensure margins are maintained and cash flow protected during this expansion phase. Cost savings through containment of staffing costs and the re-alignment of supplier service agreements in response to greater certainty and control over projects has delivered better than originally forecasted profit while delivering services to customers ahead of schedule.

Full Year Financial Statements

Condensed Income Statement

	Note	12 Months ended 30 June 2006 $ (,000)	12 Months ended 30 June 2005 $ (,000)
Revenue from ordinary activities			
Revenue from operating activities	3	**12,699**	4,690
Revenue from non operating activities	3	**514**	26
		13,213	4,716
Direct costs of providing services		**(3,442)**	(1,540)
Network operating and maintenance costs		**(451)**	(155)
Marketing and advertising costs		**(268)**	(66)
Employee benefits expense		**(2,869)**	(1,002)
Depreciation and amortisation expense		**(820)**	(315)
Finance costs - net		**(74)**	-
Building and equipment rental costs		**(383)**	(216)
Corporate and administrative costs		**(431)**	(159)
Other expenses		**(504)**	(81)
Profit (loss) before income tax		**3,971**	1,182
Income tax expense		**(1,133)**	(336)
Net profit (loss) for the year attributable to members of PIPE Networks Limited		**2,838**	846
Total transactions and adjustment recognised directly in equity		**-**	-
Total changes in equity not resulting from transactions with owners as owners		**2,838**	846
Earnings per share		**Cents**	**Cents**
Basic earnings per share	10	8.28	2.90
Diluted earnings per share	10	8.24	2.89

The above income statement is to be read in conjunction with the accompanying notes to the financial statements.

Condensed Balance Sheet

	Note	30 June 2006 $ (,000)	30 June 2005 $ (,000)
Current assets			
Cash and cash equivalents		**9,000**	2,116
Receivables		**3,866**	666
Prepayments		**271**	11
Other assets		**419**	12
Total current assets		**13,556**	2,805
Non-current assets			
Property, Plant and Equipment		**20,537**	3,482
Deferred tax assets		**354**	113
Total non-current assets		**20,891**	3,594
Total assets		**34,447**	6,400
Current liabilities			
Interest bearing liabilities		**13**	-
Payables		**3,836**	193
Deferred revenue		**861**	260
Accrued expenses		**2,307**	267
FBT payable		**11**	-
Current tax liabilities		**304**	335
Provisions		**178**	86
Total current liabilities		**7,510**	1,141
Non-current liabilities			
Deferred revenue		**1,593**	36
Interest bearing liabilities		**3,560**	-
Deferred tax liabilities		**2**	-
Provisions		**16**	6
Total non-current liabilities		**5,171**	42
Total liabilities		**12,681**	1,183
Net assets		**21,766**	5,217
Equity			
Contributed equity	6	**17,311**	3,691
Reserves		**131**	40
Retained profits (accumulated losses)		**4,324**	1,486
Total equity		**21,766**	5,217

The above balance sheet is to be read in conjunction with the accompanying notes to the financial statements.

Condensed Statement of Changes in Equity

	30 June 2006 $ (,000)	30 June 2005 $ (,000)
Contributed equity		
Ordinary shares at beginning of period	**4,052**	2
Shares issued during period	**14,190**	4,050
Transaction costs	**(931)**	(361)
Balance of shares at end of period	**17,311**	3,691
Options reserve		
Options reserve at beginning of period	**40**	-
Share options recognised during the period	**91**	40
Balance of options reserve at end of period	**131**	40
Retained earnings		
Retained earnings at beginning of period	**1,486**	640
Profit attributable to members of the entity	**2,838**	846
Retained earnings at end of period	**4,324**	1,486
Total equity at the end of the period	**21,766**	**5,217**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Statement of Cash Flows

	Note	30 June 2006 $ (,000)	30 June 2005 $ (,000)
Cash flows related to operating activities			
Receipts from customers (inclusive of GST)		**12,927**	4,848
Payments to suppliers and employees (inclusive of GST)		**(5,493)**	(4,141)
		7,434	707
Interest received		**142**	26
Net operating cash flows		**7,576**	733
Cash flows related to investing activities			
Payment for property, plant and equipment		**(17,712)**	(2,291)
Net investing cash flows		**(17,712)**	(2,291)
Cash flows related to financing activities			
Proceeds from issues of shares and other equity securities		**13,460**	3,628
Proceeds from borrowings		**3,560**	-
Advances from related parties		**-**	(199)
Net financing cash flows		**17,020**	3,429
Net increase (decrease) in cash held		**6,884**	1,871
Cash and cash equivalents at beginning of period		**2,116**	246
Cash and cash equivalents at end of period	7	**9,000**	2,116

The above statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements

Note 1 Basis of accounting

This financial report is a general purpose financial report prepared in accordance with ASX Listing Rules, The Corporations Act 2001 and AASB Standards.

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

(a) Basis of preparation of financial report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

This financial report is the first PIPE Networks Limited full year financial report to be prepared in accordance with Australian equivalents to International Financial Reporting Standards ('AIFRS').

Financial statements of PIPE Networks Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the PIPE Networks Limited financial report for the full year ended 30 June 2006, management has amended certain accounting and valuation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Company has taken the exemption available under AASB 1 to only apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Company's equity and its net income are given in Note 12.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Revenue from Dark Fibre and Tele-housing services are recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

(ii) Metered internet traffic revenue and peering revenue are recognised upon the acceptance of the service delivered to the customer.

(iii) Interest revenue is recorded when received in cash, or accrued at the rate applicable to the financial instrument on which it is earned.

Note 1 Basis of accounting (continued)

(c) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the current tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(d) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(f) Recoverable amount of non-current assets valued on cost basis

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present value.

(g) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or re-valued amount of each item of property, plant and equipment over its expected useful life to the entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment	**3 – 7 years**
Fibre optic cable	**25 years** [see Note 2 Changes in Accounting Estimates]
Network equipment	**3 – 5 years**
Computer hardware software	**3 – 5 years**
Leasehold improvements	**5 years**

Note 1 Basis of accounting (continued)

(h) Capital Works in progress

The cost of assets constructed in-house is accumulated as capital works-in-progress until the asset is ready for use. Costs include the relevant proportion of directly attributable overheads, incurred in construction of an asset. Where assets from partially completed projects are placed in service, depreciation is recorded from the date of first use.

(i) Leased Non-current assets

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits. Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The leased asset is amortised on a straight line basis over the term of the lease, or where it is likely that the entity will obtain ownership of the asset, the life of the asset. Other operating lease payments are charged to the income statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(j) Provisions

Provisions are recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

(k) Employee benefits

(i) *Wages, salaries and annual leave*
Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the period-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the entity expects to pay as at reporting date.

(ii) *Long service leave*
The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the terms of the maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

(iii) *Superannuation plan*
The Company contributes to several defined benefit and defined contribution superannuation plans. Contributions are recognised as an expense as they are made.

(l) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and foreign exchange differences net of hedged amounts on borrowings, including trade creditors and lease finance charges.

Note 1 Basis of accounting (continued)

(m) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(n) Share-based payments

Benefits are provided to employees in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares. Shares issued under the Executive Share Option Plan are 'equity-settled transactions' and have the characteristics of an option to buy shares and are therefore treated as options. Options are recognised in full on grant date, where services have already been rendered by the employee to the Company; or over the vesting period, where the services will be rendered by the employee at some future point in time.

(o) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the taxation authority. In these circumstances, GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Note 2 Changes in accounting estimates

The Company has reassessed the useful life of its fibre optic cable assets to 25 years. Previously this estimate was 15 years in accordance with warranty periods and expected obsolescence of the fibre optic cable. The directors believe this reassessment gives a more accurate representation of the period of time in which the economic benefits arising from this asset are recognised. In addition, the decline in value of the asset can be more reliably matched to the economic benefits arising from the asset.

This change has been applied prospectively from 1 July 2005. The effect of this change on the current period is a decrease in depreciation expense for fibre optic cable of $44,589.

Note 3 Revenue and expenses from ordinary activities

	30 June 2006 $(,000)	30 June 2005 $(,000)
Operating revenues:		
Lease income from Dark Fibre operating leases	**10,119**	2,926
Lease income from Tele-housing operating leases	**1,031**	615
	11,150	3,541
Revenue from sales or services	**1,549**	1,149
	12,699	4,690
Non-operating revenues:		
Interest revenue	**142**	26
Gain on settlement of liability	**370**	-
Gain on disposal of fixed assets	**2**	-
	514	26
	13,213	4,716
Details of relevant expenses:		
Direct costs of providing services	**(3,442)**	(1,540)
Employee costs	**(2,869)**	(1,002)
Network maintenance and operating costs	**(451)**	(155)
Operating lease rental expense	**(383)**	(216)
Borrowing costs	**(74)**	-
Marketing and advertising costs	**(268)**	(66)
Depreciation expense	**(820)**	(315)
Corporate and administrative costs	**(431)**	(159)
Other expenses from ordinary activities	**(504)**	(81)
Expenses from ordinary activities	**(9,242)**	(3,534)
Capitalised outlays		
Interest costs capitalised in asset values	**-**	-
Outlays capitalised in intangibles (unless arising from an acquisition of a business)	**-**	-

Note 4 Dividends

No Dividend has been paid for the year ending 30 June 2006. . At a meeting of the board of directors on the 9th August 2006, the Directors declared a fully franked dividend on ordinary shares of 2 cents per share payable on 13th November, 2006 to shareholders registered as at 5:00pm on the 31st October, 2006.

Note 5 Segment Information

PIPE Networks Limited operates predominantly in one business segment being Telecommunication services. PIPE Networks Limited's customers are located predominantly in Australia.

Note 6 Issued and quoted securities at end of current period

Category of securities	Number quoted	Issue price per security	Amount paid up per security $ (,000)
Ordinary securities at 30 June 2005	30,750,000		4,052
Transaction costs			(422)
Adjustments to opening balances on transition to AIFRS			(40)
Increases through issue of shares:			
10 Feb 2006 One-for-Seven Rights Issue	4,393,297	1.50	6,590
6 June 2006 Share Placement	4,000,000	1.90	7,600
Transaction costs arising from capital raisings			(469)
Total ordinary securities at 30 June 2006	39,143,297		17,311

Category of securities	Grant Date	Total Number	Exercise Price $	Exercise Date From	Expiry Date
Share Options at 30 June 2005					
Orbit Capital Pty Ltd	17 May 2005	200,000	0.40	16 May 2006	17 May 2008
Issued during current period					
Share Options issued under ESOP during current period	10 February 2006	150,000	1.80	17 May 2006	16 May 2008
Share Options issued under ESOP during current period	24 March 2006	10,000	1.80	17 May 2006	29 June 2008
Total Share options at 30 June 2006		360,000			

Note 7 Reconciliation of cash and cash equivalents

	30 June 2006 $ (,000)	30 June 2005 $ (,000)
Cash on hand and at bank	9,000	2,116
Total cash and cash equivalents at end of period	**9,000**	2,116

Note 8 Contingent assets and liabilities

ANZ Banking Group Limited registered a fixed and floating charge over the assets of the Company as part of the $2,000,000 credit facility announced by the Company to ASX on 24 May 2005. The Company announced an increase in available credit facilities to a maximum of $10,000,000 on 19 April 2006.

Directors are not aware of any other contingent liabilities that are likely to have material effect on the results of the entity as disclosed in the financial statements.

Note 9 Commitments for expenditure

The Company has entered into arrangements with suppliers for the construction of fibre optic network in accordance with contracts in Brisbane, Sydney and Melbourne. At this time, the directors estimate the amount of expenditure to which these arrangements will commit the Company to be approximately $3,718,623 to be incurred during the 2007 financial year. The specific timing of the expenditure is not yet able to be reliably estimated as it is reliant on the progress of construction of the network.

Note 10 Earnings per security (EPS)

Details of the basic and diluted EPS are as follows:

	30 June 2006 Cents	**30 June 2005 Cents**
Basic EPS	**8.28**	2.90
Diluted earnings per security	**8.24**	2.89
Earnings used in calculation of both basic and diluted EPS	**2,837,557**	845,809
Weighted average number of ordinary shares used in calculation of Basic earnings per security	**34,287,615**	29,207,056
Weighted average number of ordinary shares used in calculation of Diluted earnings per security**	**34,443,506**	29,235,947

*** The weighted average number of ordinary shares used in calculating diluted earnings per share included the following weighted average numbers, deemed to represent the portion of the options assumed to be issued at nil consideration, weighted with reference to the date of conversion:*

> *On 17 May 2005, 200,000 share options were granted to Orbit Capital Pty Ltd for services rendered in provision of the IPO. The weighted average number included is 155,699.*
>
> *On 10 February 2006, 150,000 options were issued to employees. The weighted average number included is 187.*
>
> *On 7 June 2006, 10,000 options were issued to an employee. The weighted average number included is 2.*

Note 11 Events occurring subsequent to balance date

At a meeting of the board of directors on the 9th August 2006, the Directors declared a fully franked dividend on ordinary shares of 2 cents per share payable on 13th November, 2006 to shareholders registered as at 5:00pm on the 31st October, 2006.

No other matters or circumstances have arisen since 30 June 2006 that have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Note 12 Explanation of transition to Australian equivalents to IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	Notes	Previous AGAAP $(,000)	Effect of transition to AIFRS $(,000)	AIFRS $(,000)
Non-current assets				
Receivables		-	-	-
Investments accounted for using the equity method		-	-	-
Property, Plant and Equipment		1,506	-	1,506
Deferred tax assets	12(4i)	13	-	13
Intangible assets		-	-	-
Total non-current assets		**1,519**	**-**	**1,519**
Equity				
Contributed equity		2	-	2
Reserves		-	-	-
Retained profits (accumulated losses)	12(4i)	640	-	640
Total equity		**642**	**-**	**642**

(b) At end of the last half-year reporting period under previous AGAAP: 31 December 2004

	Notes	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
Non-current assets				
Receivables		-	-	-
Investments accounted for using the equity method		-	-	-
Property, Plant and Equipment		2,100	-	2,100
Deferred tax assets	12(4i)	29	-	29
Intangible assets		-	-	-
Total non-current assets		**2,129**	**-**	**2,129**
Equity				
Contributed equity		552	-	552
Retained profits (accumulated losses)	12(4i)	979	-	979
Total equity		**1,531**	**-**	**1,531**

Note 12 Explanation of transition to Australian equivalents to IFRSs (Continued)

(c) At end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Previous AGAAP $(,000)	Effect of transition to AIFRS $(,000)	AIFRS $(,000)
Non-current assets				
Property, Plant and Equipment		3,482	-	3,482
Deferred tax assets	12(4ii)	11	101	113
Total non-current assets		**3,493**	**101**	**3,595**
Equity				
Contributed equity	12(4ii)	3,630	61	3,691
Share option reserve	12(4iii)	-	40	40
Retained profits (accumulated losses)	12(4ii)	1,486	-	1,486
Total equity		**5,116**	**101**	**5,217**

(d) Reconciliation of equity reported under previous AGAAP to equity under AIFRS

		As at 30 June 2005 $(,000)	As at 31 December 2004 $(,000)	As at 1 July 2004 $(,000)
Reconciliation of Equity:				
Total contributed equity (per previous AGAAP and under AIFRS)		4,052	552	2
			-	-
Transaction Costs as reported (per previous AGAAP)		(422)	-	-
- Increase in transaction costs resulting from recognition of share options issued	12(4iii)	(40)	-	-
- Capital raising costs amortised to equity	12(4ii)	101		
Transaction contributed equity (under AIFRS)		3,691	552	2
Option Reserves as reported (per previous AGAAP)		-	-	-
- Increase in reserves resulting from recognition of share options issued to Orbit Capital Pty Ltd under IPO management agreement	12(4iii)	40	-	-
Option Reserves (under AIFRS)		40	-	-
Retained earnings as reported (as per previous AGAAP)		1,486	979	640
- Increase in retained earnings resulting from conversion of opening balances to AIFRS	12(4i)	0	0	0
Retained earnings (under AIFRS)		1,486	979	640
Total equity under AIFRS		**5,217**	**1,531**	**642**

Note 12 Explanation of transition to Australian equivalents to IFRSs (Continued)

(2) Reconciliation of profits reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to profits under Australian equivalents to IFRSs (AIFRS)

	Year ended 30 June 2005 $'000	Half year ended 31 December 2004 $'000
Reconciliation of net profit		
Net profit reported (as per previous GAAP)	846	339
Net profit under AIFRS	846	339

(3) Reconciliation of cash flow statement for the year ended 30 June 2005 and 6 months ended 31 December 2004.

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

(4) The Company recognised the following transactions on transition to AIFRS:

i. At date of transition to AIFRS, 1 July 2004, the Company recognised an increase in deferred tax assets of $216 on conversion of opening balances to AIFRS. Retained earnings were also increased by this amount.

ii. For the period ended 30 June 2005, the Company recognised a deferred tax asset for capital raising costs incurred in that year for the IPO of the Company. This increased deferred tax assets and Retained earnings by $101,224. The amount shown is net of the amortisation of the expense over a period of five years.

iii. Under AASB 2 Share-based Payment from 1 July 2004 the Company is required to recognise an expense for those options that were issued to Orbit Capital Pty Ltd under the private equity raising agreement. These options were vested and exercisable as at 30 June 2005. This has resulted in the creation of a Share option reserve at 30 June 2005 of $40,040. As the services received are Capital raising costs and as such are allocated against the proceeds from the raising as transaction costs, they offset the increase in reserves and the net effect is nil.

Compliance Statement

1 This Appendix 4E has been prepared in accordance with AASB Standards, the Corporations Act 2001 and Corporations Regulations 2001; and other standards acceptable to the ASX.

2 This Appendix 4E and the accounts upon which the Appendix 4E is based (if separate) until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the PIPE Networks Limited preliminary financial report for the year ended 30 June 2006, management has amended certain accounting and valuation methods applied in the previous AGAAP financial statements to comply with AIFRS.

3 This Appendix 4E does give a true and fair view of the matters disclosed.

4 This Appendix 4E is based on financial statements which are in the process of being audited.

5 The entity has a formally constituted audit and risk management committee.

PIPE NETWORKS LIMITED

Malcolm Thompson

COMPANY SECRETARY
Signed at Brisbane
9 August 2006