



PIPE Networks Limited
ABN 21 099 104 122
Appendix 4D
ASX Half Yearly Report
31 December 2008
Lodged with the ASX under Listing Rule 4.2A

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Directors' Report

Your directors' present their report on the consolidated entity comprising PIPE Networks Limited (the Company) and the entities it controlled at the end of and during the half-year ended 31 December 2008.

Directors

The following persons were directors of the Company during the whole of the financial period and up to the date of this report, unless stated otherwise:

Roger Clarke	Chairman - Non-executive
Bevan Slattery	CEO/Managing Director - Executive
Jason Sinclair	COO/Director - Executive
Stephen Baxter	Director - Non-executive
Greg Baynton	Director - Non-executive
Lloyd Ernst	Director - Non-executive (<i>resignation effective 25 September 2008</i>)

Review and results of operations

A consolidated profit after tax of \$5.3M was recorded for the period. This represented a 62% increase over the previous half year result of \$3.3M.

Total revenue from operating activities for the half year to December 2008 ("HY08") grew 47% to \$23.7M up from \$16.1M for the same period in 2007 ("HY07").

Demand for the Company's entire suite of domestic products combined with additional capacity available for sale was translated into strong growth in new contracted recurring revenue. Investments in international bandwidth continue and are not expected to significantly contribute to net profit until next financial year.

Internal cash generation remains strong with Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for HY08 being \$8.9M up from \$5.9M at HY07. Cash flows from operating activities were particularly strong at \$19.0M for the period.

The continued strong performance of the Company remains in line with our forecasts.

Domestic Operations

The Company's domestic operations include over 1,202km of fibre optic cable sold as Dark Fibre and related products, Data Centres (Tele-housing and Co-Location services), Australia's largest independent internet peering service and managed services provided to wholesale customers.

	HY08 (Dec 2008)	HY07 (Dec 2007)	Movement
Total domestic revenue	\$23.1M	\$16.3M	41.7%
NPAT	\$5.5M	\$3.5M	57.1%

Investment in new fibre cable installations resulted in fibre capacity available for sale increasing by 22.5% over the prior period while strong sales maintained utilisation rates of 22.4% of available stock as at December 2008 (22.2% December 2007). The effect of these sales and recurring revenue provided a 31.7% increase in related revenues to \$18.8M (HY08) from \$13.8M (HY07). Growth in fibre capacity sales is expected to continue with the completion of metropolitan networks in Adelaide and Perth to service customers in these markets.

The impact of new Data Centre facilities providing additional capacity for sale has been significant in this product area. Strong demand for these services and the effect of recurring revenue over the period provided a 147.4% increase in revenue from \$1.1M (HY07) to \$2.6M (HY08). Demand from large corporate, ISP and government customers for mission critical data storage and disaster recovery facilities remained strong over the period.

Directors' Report (*continued*)

Review and results of operations (*continued*)

Internet and VoIP peering continues steady growth with a 24.3% increase in revenue from \$0.9M (HY07) to \$1.2M (HY08). Growth has primarily been driven by demand for higher bandwidth access and redundancy by new and existing customers.

Investment in new revenue generating assets resulted in the growth in Property, plant and equipment to \$59.2M as at December 2008, up from \$42.3M as at December 2007.

Increases in the number of sales, provisioning and support staff resulted in an increase in employee related expenses to \$4.5M for HY08, up from \$3.5M for HY07. The addition of additional tele-housing capacity, the development and implementation of new products as well as increased fibre network reach has resulted in increased costs associated with provision of services. For the half year to December 2008, direct costs have risen to \$6.4M up from \$4.6M for the previous period, however strong cost controls resulted in network operating costs only rising to \$0.6M from \$0.5M in the previous period. The impact of prior year fibre network builds and new data centre builds has now flowed through to depreciation resulting in an increase in depreciation expense for the period to \$1.9M up from \$1.3M. Strong cost controls combined with economies of scale continue to contribute to improved profit margins.

International Operations

The Company's international operations include construction of a 6,900km undersea fibre optic cable (PPC-1) between Australia and other investments in international communications capacity and products.

	HY08	HY07	Movement
	(Dec 2008)	(Dec 2007)	
Total international revenue	\$1.3M	\$0.0M	N/A
NPAT	\$(0.3)M	\$(0.2)M	(50.0)%

Expected completion of PPC-1 is on schedule for the third quarter of calendar year 2009. Financing costs are expected to be reduced after the Company's decision to withdraw from negotiations with banks in December 2008 and enter into arrangements with suppliers and customers for bridge-funding of the project. Total contract values are not expected to materially vary, however variation in the timing of payments to vendors and from customers has been negotiated and agreed in principle.

Investment in Vocus Connect Pty Ltd, offering international connectivity to/from Australia to New Zealand and the USA has seen steady growth but is not expected to have a material positive impact on net profits this financial year.

Directors' Report (*continued*)

Auditor's Independence declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is attached to this Directors' Report for the half year ended 31 December 2008.

Rounding of amounts

The Company is a company to which ASIC Class Order 98/100 applies, and accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the period.

Events subsequent to reporting date

PPC-1 Submarine cable system

As per its announcement to the market on 5 February 2009, the Company signed a variation of terms with a key supplier in relation to the PPC-1 project which better aligns supplier payments with customer receipts.

An update on contract variations was announced to market on 9 February 2009 as follows:

- PPC-1 (Bermuda) Ltd has re-aligned a number of billing milestones to customer receipts;
- the revised payment schedule is as follows:
 - USD\$5M to be paid Q1-2009;
 - USD\$40M (approximately) paid back-to-back with customer Irrevocable Right of Use receipts in 2009/2010;
 - USD\$38M to be paid 2010 (USD\$25M to be covered by existing 7 year long-term service contracts and USD\$13M expected to be supported by future sales).

Capital Raising

On 12 February 2009, the directors approved the immediate launch of an equity capital raising through a combination of an institutional placement of up to 3.5 million shares to raise a minimum of \$9 million and a share purchase plan.

The proceeds of the placement will fund the commitments associated with the PPC-1 contract variation with any funds remaining to be used for the general working capital requirements of the Company.

The proceeds of the share purchase plan will be applied to enhance the working capital of the Company.

The ability for the consolidated entity to continue paying its debts as and when they fall due depends on ongoing support of shareholders, suppliers and financiers.

The directors believe that the consolidated entity will be able to continue to pay its debts as and when they fall due and payable.



Bevan Slattery
CEO/Managing Director
12 February 2009

12 February 2009

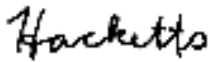
The Chairman
The Board of Directors
PIPE Networks Limited
Level 17, 127 Creek Street
Brisbane QLD 4001

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001
to the Directors of PIPE Networks Limited**

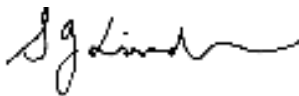
I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2008 there have been:

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

Yours faithfully



Hacketts DFK



**Shaun Lindemann
Partner**

Results for Announcement to the Market

Summary of Consolidated Financial Information

Extracts from this report for announcement to the market:

	6 months ended 31-Dec-08 \$ (,000)	6 months ended 31-Dec-07 \$ (,000)	Movement \$ (,000)	Movement %
Revenue from continuing operations	24,377	16,263	8,114	50%
Profit (loss) after income tax for the half year attributable to members	5,301	3,279	2,021	62%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	8,902	5,909	2,993	51%

	6 months ended 31-Dec-08 Cents	6 months ended 31-Dec-07 Cents
Basic earnings per security	10.40	7.39
Diluted earnings per security	10.40	7.38
Net tangible assets per security	144.77	94.91

Interim Dividend Distribution

Dividends (distributions)	Amount per security	Franked amount per security
Current period		
Interim dividend **	0 cents	NA
Previous period		
Final dividend (paid 21 November 2008)	7 cents	100%
Interim dividend	0 cents	NA

** No interim dividend has been proposed or declared in respect of the 6 months ended 31 December 2008.

Highlights of Results

A consolidated profit after tax of \$5.3M was recorded for the period. This represented a 62% increase over the previous half year result of \$3.3M.

Total revenue from operating activities for the half year to December 2008 ("HY08") grew 47% to \$23.7M up from \$16.1M for the same period in 2007 ("HY07").

Demand for the Company's entire suite of domestic products combined with additional capacity available for sale was translated into strong growth in new contracted recurring revenue. Investments in international bandwidth continue and are not expected to significantly contribute to net profit until next financial year.

Internal cash generation remains strong with Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for the half year to HY08 being \$8.9M up from \$5.9M at HY07. Cash flows from operating activities were particularly strong at \$19.0M for the period.

The continued strong performance of the Company remains in line with our forecasts.

Half Yearly Consolidated Financial Statements

Consolidated Income Statement for the half year ended 31 December 2008

	Note	6 months ended 31 December 2008 \$ (,000)	6 months ended 31 December 2007 \$ (,000)
Revenue	2	23,720	16,137
Other income	2	657	126
		24,377	16,263
Direct costs of providing services	2	(7,282)	(4,619)
Network operating and maintenance costs		(880)	(620)
Marketing and advertising costs		(304)	(191)
Employee benefits expense		(4,944)	(3,492)
Depreciation and amortisation expense		(1,964)	(1,303)
Finance costs		(255)	(55)
Building and equipment rental costs		(321)	(254)
Corporate and administrative costs		(822)	(476)
Other expenses		(283)	(590)
Profit before income tax		7,322	4,663
Income tax expense		(2,072)	(1,384)
Profit for the half year		5,250	3,279
Loss (profit) attributable to minority interests		51	-
Profit attributable to members of PIPE Networks Limited		5,301	3,279
Earnings per security		Cents	Cents
- Basic earnings per security	9	10.40	7.39
- Diluted earnings per security	9	10.40	7.38

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet as at 31 December 2008

	Note	31 December 2008 \$ (,000)	30 June 2008 \$ (,000)
Current assets			
Cash and cash equivalents	6	13,602	22,061
Other deposits		-	5,000
Trade and other receivables		5,500	3,204
Prepayments		1,096	1,363
Other current assets		580	626
Total current assets		20,778	32,255
Non-current assets			
Trade and other receivables		1,853	1,787
Property, plant and equipment		117,981	94,086
Deferred tax assets		1,116	773
Financial assets		250	250
Other assets		2,462	1,342
Total non-current assets		123,662	98,238
Total assets		144,440	130,493
Current liabilities			
Trade and other payables		14,967	5,969
Accrued expenses		357	417
Borrowings		40	133
Prepaid revenue		6,868	2,878
Current tax liabilities		708	608
Provisions		346	257
Total current liabilities		23,286	10,263
Non-current liabilities			
Borrowings		40,040	43,000
Prepaid revenue		6,153	4,698
Deferred tax liabilities		1,445	644
Provisions		86	55
Total non-current liabilities		47,724	48,397
Total liabilities		71,010	58,660
Net assets		73,430	71,833
Equity			
Issued capital	5	58,292	58,376
Reserves		111	111
Retained earnings		15,085	13,353
Minority interests		(58)	(7)
Total equity		73,430	71,833

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity for the half year ended 31 December 2008

	31 December 2008	31 December 2007
Note	\$ (,000)	\$ (,000)
Issued capital		
Ordinary share capital at beginning of the period	58,376	32,917
Share capital issued during the period	-	54
Transaction costs	(84)	(55)
Balance of share capital at end of the period	58,292	32,916
Options reserve		
Options reserve at beginning of the period	111	71
Share options issued during the period	-	111
Balance of options reserve at end of period	111	182
Retained earnings		
Retained earnings at beginning of the period	13,353	8,368
Profit attributable to members of the entity	5,301	3,278
Dividends paid during the period	(3,569)	(2,219)
Retained earnings at end of the period	15,085	9,427
Profit (loss) attributable to minority interests		
Profit (loss) attributable to minority interests at beginning of period	(7)	-
Profit (loss) attributable to minority interests for current period	(51)	-
Minority interests at the end of the period	(58)	-
Total equity at the end of the period	73,430	42,525

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows for the half year ended 31 December 2008

	6 months ended 31 December 2008 \$ (,000)	6 months ended 31 December 2007 \$ (,000)
Cash flows related to operating activities		
Receipts from customers (inclusive of GST)	28,387	19,187
Payments to suppliers and employees (inclusive of GST)	(7,913)	(10,765)
Cash generated from operations	20,473	8,422
Income tax paid	(1,595)	(1,050)
Finance costs	(428)	(69)
Interest received	531	105
Net operating cash flows	18,981	7,408
Cash flows related to investing activities		
Loan to other entity	(65)	(450)
Payments for property, plant and equipment	(25,859)	(9,159)
Net investing cash flows	(25,924)	(9,609)
Cash flows related to financing activities		
Proceeds from issues of shares and other equity securities	-	54
Proceeds from borrowings	2,000	4,000
Repayments of borrowings and finance lease principal	(5,054)	(7,008)
Advances to financial institutions to secure borrowings	5,000	-
Dividends paid	(3,569)	(2,219)
Net financing cash flows	(1,623)	(5,173)
Net decrease in cash held	(8,566)	(7,374)
Cash and cash equivalents at beginning of the period	22,061	14,930
Unrealised foreign exchange gains	107	-
Cash and cash equivalents at end of the period	13,602	7,556

The accompanying notes form part of these financial statements.

Corporate information

PIPE Networks Limited is a company incorporated in Australia, limited by shares which are traded on the Australia Stock Exchange.

The financial report for the half year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 12 February 2009.

Note 1 Basis of preparation

This half yearly financial report is a general purpose financial report prepared in accordance with the listing rules and AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half yearly financial report does not include all notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by PIPE Networks Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

(a) Basis of preparation of the half yearly financial report

The principal accounting policies adopted in the preparation of the half yearly financial report are consistent with the most recent Annual Financial Report for the year ended 30 June 2008. Adoption of new or amending standards mandatory for the periods beginning on or after 1 July 2008 has not resulted in any changes to accounting policy.

Historical cost convention

The half year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Net current assets

As at 31 December 2008, the consolidated entity has recorded a net current asset deficiency of \$2.5M. Included in current liabilities are prepaid revenue items (monies received in advance) of \$6.9M relating to customer contracts, of which \$4.4M relates to significant prepaid revenue for PPC-1 Limited in relation to the PPC-1 submarine cable system. Adjusting net current assets for prepaid revenue, which the Directors are of the opinion will not require future cash settlement, the net current asset deficiency is removed.

The Directors are therefore comfortable that, given the above, and the strategies per Note 10, the consolidated entity will be in a position to continue to pay its debts as and when they fall due and payable.

Note 2 Revenue and expenses

	6 months ended 31 December 2008 \$ (,000)	6 months ended 31 December 2007 \$ (,000)
a) Operating activities:		
Lease income from Dark fibre operating leases	18,802	13,802
Lease income from Telehousing operating leases	2,684	1,052
	<u>21,486</u>	<u>14,854</u>
Other sales and services	2,221	1,226
Rebate income	13	57
Total revenue	<u>23,720</u>	<u>16,137</u>
b) Non-operating activities:		
Interest revenue	639	112
Other revenue	18	14
Other income	<u>657</u>	<u>126</u>

c) Profit for the period

The following expense items are relevant in explaining the financial performance for the interim period:

Bad and doubtful debts expense	129	12
Operating lease rental expense	321	254
Finance costs	255	55
Depreciation expense	1,964	1,303

Note 3 Dividends

	31 December 2008 \$ (,000)	31 December 2007 \$ (,000)
(a) Ordinary shares		
Fully franked dividends paid in respect of prior financial year *	3,569	2,219
Total dividends paid	<u>3,569</u>	<u>2,219</u>

* Fully franked dividend of 7 cents (2007: 5 cents) per ordinary share.

(b) Dividends not recognised at period end

Dividends declared for the half year **	<u>-</u>	<u>-</u>
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** As at 31 December 2008, the directors have not declared a dividend for the half year ended 31 December 2008 and made no recommendation concerning dividends for the half year or any period thereafter.

Note 4 Segment information

The Company operates in two primary operating segments. The parent company provides domestic telecommunication infrastructure and services in Australia, and subsidiaries that provide international telecommunication and internet transmission capacity.

31 December 2008	Domestic Services \$ (,000)	International Services \$ (,000)	Consolidated \$ (,000)
Total segment revenue	23,075	1,367	24,442
Intersegment sales	-	(65)	(65)
Total revenue	23,075	1,302	24,377
Segment result	5,503	(253)	5,250
Segment and Total assets	84,334	60,106	144,440
Segment and Total liabilities	57,878	13,132	71,010
Capital Expenditure	10,927	14,932	25,859
Direct costs	6,446	836	7,282
Employee benefits expense	4,491	453	4,944
Depreciation and amortisation expense	1,930	34	1,964
31 December 2007	Domestic Services \$ (,000)	International Services \$ (,000)	Consolidated \$ (,000)
Total segment revenue	16,263	-	16,263
Intersegment sales	-	-	-
Total revenue	16,263	-	16,263
Segment result	3,472	(193)	3,279
Segment and Total assets	59,345	427	59,772
Segment and Total liabilities	17,246	-	17,246
Capital Expenditure	9,073	87	9,160
Direct costs	4,619	-	4,619
Employee benefits expense	3,492	-	3,492
Depreciation and amortisation expense	1,303	-	1,303

Note 5 Issued and quoted securities

Category of securities	31 December 2008		31 December 2007	
	No. of shares	\$,000s	No. of shares	\$,000s
Ordinary securities				
Balance at beginning of financial period	50,988,297	58,376	44,363,297	32,917
Issued during the period				
- Executive and employee options exercised	-	-	30,000	54
Less transaction costs on shares issued		(84)		(55)
Balance at end of financial period	50,988,297	58,292	44,393,297	32,916

Note 6 Reconciliation of cash and cash equivalents

	31 December 2008 \$ (,000)	31 December 2007 \$ (,000)
Cash on hand and at bank	13,602	7,556
Total cash and cash equivalents at end of the period	13,602	7,556
Balances as per statement of cashflows	13,602	7,556

Note 7 Investments in associates

The following change occurred in respect of the Company's existing shareholding in Vocus Group Limited:

On 23 July 2008 at a General Meeting of shareholders of Vocus Group Limited (VGL), shareholders voted to cancel 500,000 shares that were issued prior to the Company's investment in VGL. This resulted in the Company's initial acquisition of 25% of voting shares increasing to 26.32% of voting shares on issue.

Note 8 Contingent assets and liabilities

PPC-1 Supply Contract

As previously disclosed to the market, the Company (via its subsidiary PPC-1 Limited) has a Supply Contract with Tyco Telecommunications (US) Inc for the construction of a submarine cable system ("PPC-1") between Australia and Guam.

During the period, the Company withdrew from proposed funding arrangements with ANZ Bank for construction finance of the project and conducted negotiations with customers and suppliers as to the future of the project. On 19 December the Company announced that it had signed a Memorandum of Understanding ("MOU") with the supplier of PPC-1 and a key customer.

Further developments in relation to this contract can be found in Note 10 of this financial report.

As previously disclosed in the 2008 Annual Report, should any of the obligations under the contract not be met, a loss may arise if the terms of the contract are breached, equivalent to the impairment of the carrying value of work in progress plus any works unbilled to date less any amounts recovered from sale of assets associated with the project. For a discussion on other risks associated with the project, please refer to Note 11c (on page 29) of the 2008 Annual

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 Earnings per security (EPS)

	31 December 2008 Cents	31 December 2007 Cents
Basic EPS	10.40	7.39
Diluted EPS	10.40	7.38
	\$ (,000)	\$ (,000)
Earnings used in calculation of both Basic and Diluted EPS	<u>5,301</u>	<u>3,279</u>
	Shares	Shares
Weighted average number of ordinary shares used in calculation of Basic EPS	50,988,297	44,393,219
Adjustment for calculation of diluted earnings per share:		
Options	-	54,637
Weighted average number of ordinary shares used in calculation of Diluted EPS	<u>50,988,297</u>	<u>44,447,856</u>

Note 10 Events occurring after balance date

PPC-1 Submarine cable system

As per its announcement to the market on 5 February 2009, the Company signed a variation of terms with a key supplier in relation to the PPC-1 project which better aligns supplier payments with customer receipts.

An update on contract variations was announced to market on 9 February 2009 as follows:

- PPC-1 (Bermuda) Ltd has re-aligned a number of billing milestones to customer receipts;
- the revised payment schedule is as follows:
 - USD\$5M to be paid Q1-2009;
 - USD\$40M (approximately) paid back-to-back with customer Irrevocable Right of Use receipts in 2009/2010;
 - USD\$38M to be paid 2010 (USD\$25M to be covered by existing 7 year long-term service contracts and USD\$13M expected to be supported by future sales).

Capital Raising

On 12 February 2009, the directors approved the immediate launch of an equity capital raising through a combination of an institutional placement of up to 3.5 million shares to raise a minimum of \$9 million and a share purchase plan.

The proceeds of the placement will fund the commitments associated with the PPC-1 contract variation with any funds remaining to be used for the general working capital requirements of the Company.

The proceeds of the share purchase plan will be applied to enhance the working capital of the Company.

The ability for the consolidated entity to continue paying its debts as and when they fall due depends on ongoing support of shareholders, suppliers and financiers.

The directors believe that the consolidated entity will be able to continue to pay its debts as and when they fall due and payable.

Further Information

Ratios

	Current period %	Previous corresponding period %
Profit before tax / revenue		
Profit (loss) from ordinary activities before tax as a percentage of revenue	30%	29%
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	7%	5%

NTA backing

	Current period Cents	Previous corresponding period Cents
Net tangible asset backing per ordinary security	144.77	94.91

Directors' declaration

In the opinion of the directors of PIPE Networks Limited:

- (a) The half year financial statements and notes of the Consolidated entity, set out on pages 7 to 15 are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the financial position of the Consolidated entities as at 31 December 2008 and of its performance, as represented by the results of its operations and cash flows, for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the directors.

PIPE Networks Limited



Bevan Slattery
CEO/Managing Director

Dated at Brisbane
12 February 2009

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PIPE NETWORKS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of PIPE Networks Limited and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of PIPE Networks Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF PIPE NETWORKS LIMITED (Continued)**

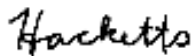
Independence

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

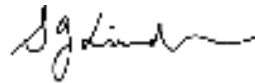
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of PIPE Networks Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- A. giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- B. complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



**HACKETTS DFK
Brisbane**



**Shaun Lindemann
Audit Partner**

Dated: 12 February 2009