ASX/MEDIA RELEASE

5 August 2008

Full Year Financial Results

PIPE Networks Limited (ASX:PWK) today announced a consolidated profit after tax of $7.20 million was recorded for the period representing a 49% increase over the previous year result of $4.83 million. Net Profit After Tax (NPAT) generated by the parent entity was higher than forecast being $7.56 million for the full year.

Group revenue growth of 42% from operating activities was $34.58 million in 2008, up from $24.28 million in 2007. Revenue growth is primarily due to the completion of key customer Dark Fibre contracts, sale of capacity in new facilities and billing of related installation and service provisioning charges.

Further revenue growth is forecast in the 2009 financial year, with key customer contracts coming online and meeting revenue recognition criteria. Additional sales personnel have been employed in key markets to continue focusing on improved utilisation of our core fibre optic network assets.

A focus on internal controls has meant the increased expenses relating to new asset capacity and personnel has not degraded profit margins of 28% (FY2007) to 29% (FY2008). With continued improved utilisation of existing assets and full year flow on effects of new sales, profit margin improvements are expected to continue in future periods.

This result includes the results of subsidiaries including costs associated with construction of a new undersea fibre optic cable to Guam (PPC-1) which will not be fully operational until the 2009/10 financial year. These costs were associated with the structuring, permitting, landing station commissioning and various compliance milestones for PPC-1 running significantly ahead of schedule and therefore falling into the reporting period.

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

Yours faithfully

Bevan Slattery
Managing Director

ENDS

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PIPE Networks Limited

ABN 21 099 104 122

Appendix 4E
Preliminary Final Report
30 June 2008

Lodged with the ASX under Listing Rule 4.3A

Contents

Results for Announcement to the Market

Summary of Consolidated Financial Information

Extracts from this report for announcement to the market:

	12 months ended 30-Jun-08 $ (,000)	12 months ended 30-Jun-07 $ (,000)	Movement $ (,000)	Movement %
Revenue from continuing operations	34,581	24,277	10,304	42%
Profit (loss) after income tax for the period attributable to members	7,204	4,831	2,373	49%
Net profit (loss) for the period attributable to members	7,204	4,831	2,373	49%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	12,981	8,669	4,312	50%

	12 months ended 30-Jun-08 Cents	12 months ended 30-Jun-07 Cents
Basic earnings per security	15.83	12.06
Diluted earnings per security	15.83	12.04
Net tangible assets per security	140.63	92.54

Final Dividend Distribution

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Current period		
Final dividend **	7 cents	100%
Previous period		
Final dividend (paid on 12 October 2007)	5 cents	100%
Interim dividend	0 cents	NA

** The directors have declared a final franked dividend of 7 cents per fully paid share (2007 - 5 cents) payable 21 November 2008 to shareholders registered as at 5:00pm on 7 November 2008.

Annual General Meeting

The proposed Annual General Meeting date is Thursday 6 November 2008 at Level 5, 123 Eagle Street, Brisbane, QLD 4000.

Highlights of Results

A consolidated profit after tax of $7.20 million was recorded for the period representing a 49% increase over the previous year result of $4.83 million. This result includes the results of subsidiaries including costs associated with construction of a new undersea fibre optic cable to Guam (PPC-1) which will not be fully operational until the 2009/10 financial year. Net Profit After Tax (NPAT) generated by the parent entity was higher than forecast being $7.56 million for the full year. This improved position was offset by costs associated with permitting, landing station commissioning and various compliance milestones for PPC-1 running significantly ahead of schedule and therefore falling into the reporting period.

Group revenue growth of 42% from operating activities was $34.58 million in 2008, up from $24.28 million in 2007. Revenue growth is primarily due to the completion of key customer Dark Fibre contracts, sale of capacity in new facilities and billing of related installation and service provisioning charges.

Further revenue growth is forecast in the 2009 calendar year, with key customer contracts coming online and meeting revenue recognition criteria. Additional sales personnel have been employed in key markets to continue focusing on improved utilisation of our core fibre optic network assets.

The fibre optic network has considerable capacity available to meet future revenue growth in Dark Fibre services with total capacity utilised at 22.5% of over 177.8 thousand kilometres of fibre available for lease. Utilisation rates have improved from 17.5% at June 2007. Total construction investment in the network resulted in a 26.1% increase in total capacity available for sale over the financial year.

Highlights of Results *(continued)*

Increased capacity from investment in a state-of-the-art Data Centre (DC3) in Brisbane has rapidly approached full utilisation earlier than expected. The full impact of DC3 sales flowed through in the second half of this financial year as recurring revenue lagged the deployment of customer equipment within the facility.

Capital investment continued during the period with investment in property, plant and equipment of $62.57 million as per the Statement of cashflows. This includes investment in the PPC-1 project. Also included in this cashflow is extension of the Dark Fibre network reperesenting an increase from 869 kilometres of physical cable at June 2007 to over 1,098 kilometres by June 2008. This increase occurred in all States and in particular diverse dark fibre links in the outer Sydney region and between Brisbane and Springfield. Contributing to the investment in assets is the deployment of new product offerings in managed services and network monitoring systems.

The increase in network footprint compared to the previous corresponding period has led to an increase in direct costs, network costs and depreciation. Growth in employee numbers to increase market awareness in Sydney and Melbourne markets, as well as accrued commissions relating to significant sales success has led to an increase in employment related expenses over the previous year to $7.06 million, up from $4.72 million.

A focus on internal controls has meant the increased expenses relating to new asset capacity and personnel has not degraded profit margins of 28% (FY2007) to 29% (FY2008). With continued improved utilisation of existing assets and full year flow on effects of new sales, profit margin improvements are expected to continue in future periods.

Significant changes in the state of affairs

The Company incorporated subsidiaries during the period for the purpose of constructing an international submarine cable system between Australia and Guam. Details of the subsidiaries incorporated can be found in Note 7 of the financial statements.

The Company made a strategic investment in start-up wholesale IP transit and Voice supplier Vocus Group Ltd and Vocus Connect Pty Ltd. Further details can be found in Note 7 of the financial statements.

Audit

This preliminary final report is based on accounts that are in the process of being audited.

As per previous announcements to market, the Company entered into a supply contract with Tyco Telecommunications (US) Inc. for the construction of an international submarine cable system (PPC-1) between Australia and Guam on 14 January 2008. The current progress and position of the contract is discussed in further detail in Note 8 of the financial statements. Billing milestones paid to date under the contract have been paid out of operating cashflows, existing debt facilities and capital raisings during the period.

As noted, the Company is currently ahead of schedule on several contractual obligations and is in advanced stages of negotiating final terms for future project funding. Progress on these obligations and any resulting risks will be assessed as part of the final audited financial statements.

Full Year Consolidated Financial Statements

Consolidated Income Statement for the year ended 30 June 2008

	Note	12 months ended 30 June 2008 $ (,000)	12 months ended 30 June 2007 $ (,000)
Revenue	2	**34,237**	23,933
Other income	2	**344**	344
		34,581	24,277
Direct costs of providing services	2	**(9,897)**	(7,448)
Network operating and maintenance costs		**(1,209)**	(1,020)
Marketing and advertising costs		**(382)**	(296)
Employee benefits expense		**(7,064)**	(4,718)
Depreciation and amortisation expense		**(2,944)**	(1,758)
Finance costs		**(198)**	(418)
Building and equipment rental costs		**(530)**	(491)
Corporate and administrative costs		**(1,016)**	(711)
Other expenses		**(1,201)**	(598)
Profit before income tax		**10,140**	6,819
Income tax expense		**(2,943)**	(1,988)
Profit for period		**7,197**	4,831
Loss (profit) attributable to minority interests		**7**	-
Profit attributable to members of PIPE Networks Limited		**7,204**	4,831
Earnings per security		**Cents**	**Cents**
- Basic earnings per security	9	15.83	12.06
- Diluted earnings per security	9	15.83	12.04

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet as at 30 June 2008

	Note	30 June 2008 $ (,000)	30 June 2007 $ (,000)
Current assets			
Cash and cash equivalents	6	**22,061**	14,930
Trade and other receivables		**3,204**	6,153
Prepayments		**1,363**	555
Other current assets		**626**	567
Other deposits		**5,000**	-
Total current assets		**32,254**	22,205
Non-current assets			
Property, plant and equipment		**94,086**	34,661
Deferred tax assets		**773**	471
Other non-current assets		**3,380**	231
Total non-current assets		**98,239**	35,363
Total assets		**130,493**	57,568
Current liabilities			
Trade and other payables		**5,969**	4,113
Accrued expenses		**417**	1,526
Borrowings		**47**	14
Prepaid revenue		**2,878**	751
Current tax liabilities		**608**	384
Provisions		**257**	201
Total current liabilities		**10,176**	6,989
Non-current liabilities			
Borrowings		**43,087**	7,047
Prepaid revenue		**4,698**	1,974
Deferred tax liabilities		**644**	170
Provisions		**55**	32
Total non-current liabilities		**48,484**	9,223
Total liabilities		**58,660**	16,212
Net assets		**71,833**	41,356
Equity			
Issued capital	5	**58,305**	32,917
Reserves		**182**	71
Retained earnings		**13,353**	8,368
Minority interests		**(7)**	-
Total equity		**71,833**	41,356

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended 30 June 2008

	Note	30 June 2008 $ (,000)	30 June 2007 $ (,000)
Issued capital			
Ordinary share capital at beginning of the period		**32,917**	17,311
Share capital issued during the period		**26,225**	16,116
Cost of share options exercised transferred from options reserve		**-**	52
Transaction costs		**(837)**	(562)
Balance of share capital at end of the period		**58,305**	32,917
Options reserve			
Options reserve at beginning of the period		**71**	132
Share options issued during the period		**111**	-
Share options exercised during the period		**-**	(52)
Share options forfeited during the period		**-**	(9)
Balance of options reserve at end of period		**182**	71
Retained earnings			
Retained earnings at beginning of the period		**8,368**	4,324
Profit attributable to members of the entity		**7,204**	4,831
Dividends paid during the period		**(2,219)**	(787)
Retained earnings at end of the period		**13,353**	8,368
Profit (loss) attributable to minority interests		**(7)**	-
Total equity at the end of the period		**71,833**	41,356

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows for the year ended 30 June 2008

	Note	12 months ended 30 June 2008 $ (,000)	12 months ended 30 June 2007 $ (,000)
Cash flows related to operating activities			
Receipts from customers (inclusive of GST)		**49,253**	24,109
Payments to suppliers and employees (inclusive of GST)		**(28,147)**	(18,362)
Cash generated from operations		**21,106**	5,747
Income tax paid		**(2,422)**	(1,827)
Finance costs		**(1,599)**	(418)
Interest received		**266**	326
Security and other deposits		**(31)**	-
Net operating cash flows		**17,320**	3,828
Cash flows related to investing activities			
Loan to other entity		**(1,750)**	-
Payment for property, plant and equipment		**(62,568)**	(16,083)
Net investing cash flows		**(64,318)**	(16,083)
Cash flows related to financing activities			
Proceeds from issues of shares and other equity securities		**25,275**	15,472
Repayments of borrowings and finance lease principal		**(11,014)**	-
Proceeds from borrowings		**47,087**	3,500
Advances to financial institutions to secure borrowings		**(5,000)**	-
Dividends paid		**(2,219)**	(787)
Net financing cash flows		**54,129**	18,185
Net decrease in cash held		**7,131**	5,930
Cash and cash equivalents at beginning of the period		**14,930**	9,000
Cash and cash equivalents at end of the period	6	**22,061**	14,930

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 preliminary final report for the full year ended 30 June 2008 for the consolidated group comprising Pipe Networks Limited and its subsidiaries was authorised for issue in accordance with a resolution of the directors on 5 August 2008.

Note 1 Basis of preparation

This preliminary final 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 preliminary final 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 2007 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 preliminary final report

The principal accounting policies adopted in the preparation of the preliminary final report are consistent with the most recent Annual Financial Report for the year ended 30 June 2007. Adoption of new or amending standards mandatory for the periods beginning on or after 1 July 2007 has not resulted in any changes to accounting policy.

Historical cost convention
The preliminary final 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.

Note 2 Revenue and expenses

	12 months ended 30 June 2008 $ (,000)	12 months ended 30 June 2007 $ (,000)
a) Operating activities:		
Lease income from Dark fibre operating leases	**28,660**	20,311
Lease income from Telehousing operating leases	**2,844**	1,414
	31,504	21,725
Other sales and services	**2,629**	2,025
Rebate income	**104**	183
Total revenue	**34,237**	23,933
b) Non-operating activities:		
Interest revenue	**301**	326
Other revenue	**43**	18
Other income	**344**	344

c) Profit for the period

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

	12 months ended 30 June 2008 $ (,000)	12 months ended 30 June 2007 $ (,000)
Bad and doubtful debts expense	**81**	13
Direct costs of providing services	**9,897**	7,448
Operating lease rental expense	**530**	490
Finance costs	**198**	418
Depreciation expense	**2,944**	1,758

Note 3 Dividends

	30 June 2008 $ (,000)	30 June 2007 $ (,000)
(a) Ordinary shares		
Fully franked dividends paid in respect of prior financial year *	**2,219**	787
Total dividends paid	**2,219**	787

* Fully franked dividend of 5 cents (2006: 2 cents) for the year ended 30 June 2007.

	30 June 2008 $ (,000)	30 June 2007 $ (,000)
(b) Dividends not recognised at period end		
Dividends declared for the year **	**3,569**	**-**

** The directors have declared a final franked dividend of 7 cents per fully paid share (2007 - 5 cents) payable 21 November 2008 to shareholders registered as at 5:00pm on 7 November 2008.

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 telecommunciation and internet transmission capacity.

30 June 2008	**Domestic Services**	**International Services**	**Consolidated**
	$ (,000)	**$ (,000)**	**$ (,000)**
Total segment revenue	**34,374**	**207**	**34,581**
Intersegment sales			
Total revenue	**34,374**	**207**	**34,581**
Segment result	**7,556**	**(352)**	**7,204**
Segment and Total assets	**82,253**	**48,240**	**130,493**
Segment and Total liablities	**54,583**	**4,077**	**58,660**
Capital Expenditure	**18,716**	**43,852**	**62,568**
Depreciation and amortisation	**2,937**	**7**	**2,944**

30 June 2007	**Domestic Services**	**International Services**	**Consolidated**
	$ (,000)	**$ (,000)**	**$ (,000)**
Total segment revenue	24,277	-	24,277
Intersegment sales			
Total revenue	24,277	-	24,277
Segment result	4,921	(90)	4,831
Segment and Total assets	57,469	99	57,568
Segment and Total liablities	16,212	-	16,212
Capital Expenditure	16,022	61	16,083
Depreciation and amortisation	1,758	-	1,758

Note 5 Issued and quoted securities

Category of securities	30 June 2008 No. of shares	30 June 2008 $,000s	30 June 2007 No. of shares	30 June 2007 $,000s
Ordinary securities				
Balance at beginning of financial period	44,363,297	32,917	39,143,297	17,311
Issued during the period				
- Share placement	6,500,000	26,000	5,000,000	16,000
- Executive and employee options exercised	124,955	225	20,000	36
- Share options exercised by Orbit Capital	-	-	200,000	80
Cost of Share options transferred from options reserve		-		52
Less transaction costs on shares issued		(837)		(562)
Balance at end of financial period	50,988,252	58,305	44,363,297	32,917

Note 6 Reconciliation of cash and cash equivalents

	30 June 2008 $ (,000)	30 June 2007 $ (,000)
Cash on hand and at bank	**22,061**	14,930
Total cash and cash equivalents at end of the period	**22,061**	14,930
Balances as per statement of cashflows	**22,061**	14,930

Note 7 Business combinations

The Company incorporated the following entities during the period:

- PPC 1 Limited, a Bermuda coporation incorporated on 21 December 2007.
- PPC 1 (US) Incorporated, a Delaware, USA corporation incorporated on 11 January 2008. As at balance date, this entity had no material profits or losses to report for the current period.

During the period, the Company acquired interests in the following entities:

- On 31 March 2008, the Company acquired a 75% shareholding in Vocus Connect Pty Ltd, previously a wholly-owned subsidiary of Vocus Group Ltd. Vocus Connect is a provider of highly competitive wholesale Internet and International Ethernet services. While the results of this entity are consolidated in this report, there was no material impact on the results for the period.
- On 21 April 2008, the Company acquired a 25% shareholding in Vocus Group Ltd. Vocus Group is involved in the provision of wholesale voice communication services. This investment has been carried at cost for the period as there was no material movement in the net assets of the entity under the equity method of accounting for associates.

Note 8 Contingent assets and liabilities

PPC 1 Supply Contract

The Company signed a Supply Contract with Tyco Telecommunications (US) Inc. for the contruction of an international submarine cable system between Australia and Guam in January 2008. A contingent asset or liability may arise if this contract is breached. The Company has a number of obligations under the contract including permitting, landing station access and facilities and meeting billing milestones. As previously disclosed to the market, the Company is progressing ahead of schedule with respect to permitting and landing station obligations. This progress has enabled confidential negotiations for project financing to progress to an advanced stage. In addition, the Company has sufficient cash reserves and cashflow from operating activities to meet its obligations under the contract until January 2009 and also has alternative funding options that it may pursue at it's discretion.

PPC 1 Initial contract revenue

During the period, the Company received amounts from customers under specific contracts for the supply of international tranmission capacity on PPC-1. On initial assessment by its tax advisors, the Company received advice that the amounts received would be assessable income for income tax purposes. After a detailed review of the contracts concerned and a review of works completed to date, the Company was subsequently advised that a Reasonably Arguable Position Paper (RAPP) could be lodged with the Australian Taxation Office (ATO) setting out the timing for assessable amounts. The Company has adopted this approach in the preparation of these accounts and shown the reduced amount of income tax expense. Should the RAPP be rejected by the ATO, the Company will be required to pay income tax on the full amount received. The directors estimate the maximum impact of such a decision to be an increase in income tax expense of $1.2 million for the reporting period.

Note 9 Earnings per security (EPS)

	30 June 2008 Cents	30 June 2007 Cents
Basic EPS	**15.83**	12.06
Diluted EPS	**15.83**	12.04
	$ (,000)	**$ (,000)**
Earnings used in calculation of both Basic and Diluted EPS	**7,204**	4,831
	Shares	**Shares**
Weighted average number of ordinary shares used in calculation of Basic EPS	**45,512,057**	40,033,661
Adjustment for calculation of diluted earnings per share:		
Options	**-**	49,667
Weighted average number of ordinary shares used in calculation of Diluted EPS	**45,512,057**	40,083,328

Note 10 Events occurring after balance date

The following events occurred after balance date:

- 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.
- As per the announcement to market on 2 July 2008, the Company appointed Chief Operating Officer Jason Sinclair to the Board of directors.

Other then the matters disclosed above, no other matters or circumstances have arisen since 30 June 2008 that have significantly affected or may affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Note 11 Capital and lease commitments

During the period, the Company (through its subsidiaries) entered into two material capital and lease commitments. The extent of the commitments and anticipated timing of cash outflows is detailed below.

	30 June 2008 USD$ (,000)	30 June 2007 USD$ (,000)
(a) Capital commitment:		
(i) Commitment for the construction of international submarine cable system between Sydney, Australia and Guam.		
Within one year	**72,625**	3,829
Later than one year but less than five years	**17,530**	-
Later than five years	**-**	-
	90,155	3,829
(b) Lease commitment:		
(i) Capacity lease agreement for international transmission capacity from Sydney, Australia to USA.		
Within one year	**-**	-
Later than one year but less than five years	**10,416**	-
Later than five years	**2,338**	-
	12,754	-

Further Information

Ratios

	Current period %	Previous corresponding period %
Profit before tax / revenue		
Profit (loss) from ordinary activities before tax as a percentage of revenue	**29%**	28%
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	**10%**	12%

NTA backing

	Current period Cents	Previous corresponding period Cents
Net tangible asset backing per ordinary security	**140.63**	92.54