PIPE Networks Limited

ABN 21 099 104 122

Appendix 4D
ASX Half Year Report
31 December 2009

Lodged with the ASX under Listing Rule 4.2A

Contents

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 2009.

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

Review and results of operations

A consolidated profit after tax of $16.6M from continuing operations was recorded for the period. This represented a 201% increase over the previous half year result of $5.5M. The Company also recorded $1.5M in Net fair value gains on available-for-sale financial assets during the period.

Total revenue from continuing operations for the half year to December 2009 ("HY09") grew 130% to $55.4M up from $24.1M for the same period in 2008 ("HY08"). Significant revenue was realised from Indefeasible Rights of Use ("IRU") contracts with customers in relation to PIPE Pacific Cable 1 ("PPC-1"), the Company's submarine cable system from Sydney to Guam, which was commissioned in October 2009.

Demand for the Company's entire suite of domestic products was strong with consecutive quarters of record recurring revenue growth during the half year (when compared with the quarters in prior years) which combined with revenue from PPC-1 resulted in the substantial increase in total revenue compared to the previous period.

Internal cash generation remains strong with Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for HY09 being $35.1M up from $9.3M at HY08. Cash flows from operating activities were particularly strong at $38.5M (HY08: $19M) for the period with substantial cash received from PPC-1 customers in relation to IRU contracts.

Domestic Operations

The Company's domestic operations include approximately 1,400km of fibre optic cable (as at 31 December 2009) sold as Dark Fibre, Data Centres sold as Tele-housing and Co-Location services, Australia's largest independent internet peering service and managed services. The Company's customer base and sales initiatives are split into focused target groups being wholesale, corporate and government customers.

	HY09 (Dec 2009)	**HY08 (Dec 2008)**
Total domestic revenue	$29.8M	$23.1M
NPAT	$6.5M	$5.5M

Investment in new fibre cable installations resulted in fibre capacity available for sale increasing by 16.2% over the prior period while strong sales increased utilisation rates to 25.6% of available capacity as at December 2009 (22.4% December 2008). The effect of these sales and recurring revenue provided a 20.7% increase in related revenues to $22.7M (HY09) from $18.2M (HY08). Utilisation rates are expected to improve as sales activities are focused on securing additional revenue from existing capacity.

Directors' Report (continued)

Review and results of operations (continued)
Additional data centre capacity secured during 2009 resulted in the company having capacity to meet market demand during the half year. Strong demand for these services and the effect of recurring revenue over the period provided a 46.2% increase in revenue from $2.6M (HY08) to $3.8M (HY09). Demand from large corporate, ISP and government customers for mission critical data storage and disaster recovery facilities remained strong over the period.

Internet and VoIP peering continues steady growth with a 8.3% increase in revenue from $1.2M (HY08) to $1.3M (HY09). 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 $189.7M as at December 2009, up from $118.0M as at December 2008.

Employee related expenses increased to $4.8M for HY09, up from $4.5M for HY08, driven primarily by addition of sales staff. For the half year to December 2009, direct costs have risen to $9.2M up from $6.5M for the previous period, driven largely by costs in relation to additional Data Centre and Interstate Ethernet capacity along with increased costs from expansion of the fibre network. These additional costs resulted in profit margins being sustained in comparison to the prior period.

International Operations
During the period, the Company completed construction of its submarine cable system from Sydney to Guam called PIPE Pacific Cable 1 ("PPC1") with onward capacity to the USA and Asia.

	HY09 (Dec 2009)	**HY08 (Dec 2008)**
Total international revenue	$25.7M	$1.0M
NPAT	$10.1M	$(0.0)M

Significant revenue was realised from IRU contracts with foundation customers of PPC-1 and from the sale of PPC-1 Papua New Guinea spur . This revenue was complimented by recurring revenue from capacity lease agreements with leading Internet Service Providers in Australia and operations and maintenance revenue from IRU customers.

The shift from construction to operational phase for International Operations resulted in increased maintence costs, particularly in relation to network operating costs which grew from $0.3M in HY08 to $1.1M in HY09. Due to the completion and transfer of PPC-1 capital works to assets, depreciation expense also increased significantly to $1.9M in HY09, up from $0.01M in HY08.

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 2009.

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

TPG Telecom Ltd offer to acquire PIPE Networks

As per the announcement made to market on 11 November 2009, the Company entered into a Merger Implementation Agreement ("MIA") with TPG Telecom Limited (ASX: TPM, formerly SP Telemedia Limited) ("TPG"). Under the MIA, TPG propose to acquire all of the shares of the Company by way of Scheme of Arrangement ("Scheme") for $6.30 cash per share. As part of the MIA, the Company issued 2.8 million shares at an issue price of $6.30 per share on 9 November 2009 to TPG.

The Board of Directors of the Company have unanimously recommended that Shareholders vote in favour of all resolutions at the Scheme meeting in relation to the Scheme and approve the Scheme in the absence of a superior proposal and subject to the Independent Expert opining in its final report to the Company that the Scheme is in the best interests of the Company's Shareholders.

On 16 November 2009 the Company appointed Ernst & Young (Brisbane office) as its Independent Expert to provide a report for inclusion in the Scheme Booklet stating whether in its opinion the Scheme is in the best interest of the Company's Shareholders. Its is expected that the Scheme Booklet will be issued to shareholders in February 2010.

On 17 December 2009, TPG confirmed satisfactory completion of due diligence for the purposes of clause 2 of the MIA. On 18 December 2009, TPG confirmed that it had entered into a financing agreement with a financier which satisfies the requirements of clause 3.4(a) of the MIA.

Further details regarding the above events can be found in the ASX announcements the Company has made on the respective dates. The Company will continue to keep Shareholders and the market informed with regards to the TPG MIA in accordance with its continous disclosure obligations under Listing Rule 3.1.

J Sinclair

Jason Sinclair
Chief Operating Officer/Executive Director
22 January 2010

HACKETTS DFK

LEVEL 3
549 QUEEN STREET
BRISBANE QLD 4000

TELEPHONE 7 3839 9733
FACSIMILE 7 3832 1407

EMAIL advice@hacketts.com.au
WEBSITE www.hacketts.com.au

22 January 2010

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 C*orporations Act 2001*
to the Directors of Pipe Network Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2009 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

Hacketts DFK

Shaun Lindemann
Partner

Liability limited by a scheme approved under Professional Standards Legislation

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-09 $ (,000)	6 months ended 31-Dec-08 $ (,000)	Movement $ (,000)	Movement %
Revenue from continuing operations	55,441	24,118	31,323	130%
Profit (loss) after income tax for the half year from continuing operations	16,627	5,529	11,097	201%
Total comprehensive income for the half year	18,120	5,250	12,870	245%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	35,134	9,271	25,863	279%

	6 months ended 31-Dec-09 Cents	6 months ended 31-Dec-08 Cents
Basic earnings per security	31.75	10.40
Diluted earnings per security	31.75	10.40
Net tangible assets per security *	153.42	144.66

* Indefeasible Rights of Use (IRU) acquired by the Company during the period are classified as Intangible assets as discussed in Note 1(e).

Interim Dividend Distribution

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Current period		
Interim dividend **	0 cents	NA
Previous period		
Final dividend (paid 20 November 2009)	8 cents	100%
Interim dividend	0 cents	NA

** No interim dividend has been proposed or declared in respect of the 6 months ended 31 December 2009.

Highlights of Results

A consolidated profit after tax of $16.6M from continuing operations was recorded for the period. This represented a 201% increase over the previous half year result of $5.5M. The Company also recorded $1.5M in Net fair value gains on available-for-sale financial assets during the period.

Total revenue from continuing operations for the half year to December 2009 (“HY09”) grew 130% to $55.4M up from $24.1M for the same period in 2008 (“HY08”). Significant revenue was realised from Indefeasible Rights of Use ("IRU") contracts with customers in relation to PIPE Pacific Cable 1 ("PPC-1"), the Company's submarine cable system from Sydney to Guam, which was commissioned in October 2009.

Demand for the Company's entire suite of domestic products was strong with consecutive quarters of record recurring revenue growth during the half year (when compared with the quarters in prior years) which combined with revenue from PPC-1 resulted in the substantial increase in total revenue compared to the previous period.

Internal cash generation remains strong with Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for HY09 being $35.1M up from $9.3M at HY08. Cash flows from operating activities were particularly strong at $38.5M (HY08: $19M) for the period with substantial cash received from PPC-1 customers in relation to IRU contracts.

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

Half Yearly Consolidated Financial Statements

Statement of Comprehensive Income for the half year ended 31 December 2009

	Note	6 months ended 31 December 2009 $ (,000)	6 months ended 31 December 2008 $ (,000)
Continuing operations			
Revenue	2a	**46,562**	23,042
Other income	2a	**8,879**	1,076
		55,441	24,118
Direct costs of providing services		**(9,716)**	(6,517)
Network operating and maintenance costs		**(2,204)**	(876)
Marketing and advertising costs		**(549)**	(273)
Employee benefits expense		**(5,265)**	(4,816)
Depreciation and amortisation expense		**(4,488)**	(1,935)
Finance costs		**(404)**	(255)
Building and equipment rental costs		**(278)**	(321)
Corporate and administrative costs		**(1,125)**	(774)
Other expenses	2c	**(1,107)**	(631)
Profit before income tax		**30,305**	7,720
Income tax expense		**(13,678)**	(2,191)
Profit for the half year from continuing operations		**16,627**	5,529
Discontinued operations			
Profit (loss) for the half year from discontinued operations		**-**	(279)
Profit for the half year		**16,627**	5,250
Other comprehensive income			
Net fair value gains on available-for-sale financial assets		**1,493**	-
Other comprehensive income for the period (net of tax)		**1,493**	-
Total comprehensive income for the half year		**18,120**	5,250
Profit attributable to:			
Owners of the parent		**16,627**	5,250
Non-controlling interests		**-**	51
		16,627	5,301
Total comprehensive income attributable to:			
Owners of the parent		**18,120**	5,250
Non-controlling interests		**-**	51
		18,120	5,301
Earnings per share		**Cents**	**Cents**
From continuing and discontinued operations:			
- Basic (cents per share)		**31.75**	10.40
- Diluted (cents per share)		**31.75**	10.40
Continuing operations:			
- Basic (cents per share)		**31.75**	10.40
- Diluted (cents per share)		**31.75**	10.40

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet as at 31 December 2009

	Note	31 December 2009 $ (,000)	30 June 2009 $ (,000)
Current assets			
Cash and cash equivalents		**14,796**	3,286
Trade and other receivables		**3,971**	8,439
Financial assets		**9,631**	-
Accrued income		**10,775**	5
Other current assets		**2,928**	1,279
Total current assets		**42,101**	13,009
Non-current assets			
Other receivables		**2,503**	650
Property, plant and equipment		**189,715**	143,399
Intangible assets	1e	**35,370**	-
Deferred tax assets		**1,613**	1,396
Financial assets		**250**	250
Other assets		**2,100**	2,705
Total non-current assets		**231,551**	148,400
Total assets		**273,652**	161,409
Current liabilities			
Trade and other payables		**6,648**	6,640
Accrued liabilities	1c	**54,123**	1,537
Borrowings	1c	**39,510**	10
Prepaid revenue		**5,349**	13,328
Current tax liabilities		**11,659**	762
Provisions		**739**	437
Total current liabilities		**118,028**	22,714
Non-current liabilities			
Borrowings		**14**	38,518
Prepaid revenue		**27,641**	5,343
Deferred tax liabilities		**3,092**	1,790
Provisions		**128**	103
Total non-current liabilities		**30,875**	45,754
Total liabilities		**148,903**	68,468
Net assets		**124,749**	92,941
Equity			
Issued capital	5	**90,730**	72,541
Reserves		**1,604**	111
Retained earnings		**32,415**	20,289
Equity attributable to owners of the parent		**124,749**	92,941
Non-controlling interests		**-**	-
Total equity		**124,749**	92,941

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity for the half year ended 31 December 2009

	Note	31 December 2009 $ (,000)	31 December 2008 $ (,000)
Issued capital			
Ordinary share capital at beginning of the period		**72,541**	58,376
Share capital issued during the period		**18,389**	-
Transaction costs		**(200)**	(84)
Balance of share capital at end of the period		**90,730**	58,292
Options reserve			
Options reserve at beginning of the period		**111**	111
Share options issued during the period		**-**	-
Balance of options reserve at end of period		**111**	111
Net unrealised gains reserve			
Net unrealised gains reserve at beginning of the period		**-**	-
Other comprehensive income		**1,493**	
Balance of net unrealised gains reserve at end of period		**1,493**	**-**
Retained earnings			
Retained earnings at beginning of the period		**20,289**	13,353
Profit attributable to members of the entity		**16,627**	5,301
Dividends paid during the period		**(4,500)**	(3,569)
Retained earnings at end of the period		**32,415**	15,085
Non-controlling interests		**-**	(58)
Total equity at the end of the period		**124,749**	73,430

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows for the half year ended 31 December 2009

	Note	6 months ended 31 December 2009 $ (,000)	6 months ended 31 December 2008 $ (,000)
Cash flows related to operating activities			
Receipts from customers (inclusive of goods and services tax)		**70,175**	28,387
Payments to suppliers and employees (inclusive of goods and services tax)		**(28,813)**	(7,913)
		41,362	20,473
Income tax paid		**(2,119)**	(1,595)
Interest and other costs of finance paid		**(820)**	(428)
Interest received		**64**	531
Net operating cash flows		**38,487**	18,981
Cash flows related to investing activities			
Loan to other entity		**-**	(65)
Purchase of available-for-sale financial assets		**(7,498)**	-
Payments for property, plant and equipment		**(34,254)**	(25,859)
Net investing cash flows		**(41,752)**	(25,924)
Cash flows related to financing activities			
Proceeds from issues of shares and other equity securities		**18,389**	-
Payment of capital raising costs		**(109)**	-
Proceeds from borrowings		**2,000**	2,000
Repayments of borrowings and finance lease principal		**(1,005)**	(5,054)
Advances to financial institutions to secure borrowings		**-**	5,000
Dividends paid		**(4,500)**	(3,569)
Net financing cash flows		**14,775**	(1,623)
Net decrease in cash held		**11,510**	(8,566)
Cash and cash equivalents at beginning of the period		**3,286**	22,061
Unrealised foreign exchange gains/(losses)		**-**	107
Cash and cash equivalents at end of the period	6	**14,796**	13,602

The accompanying notes form part of these financial statements.

Corporate information

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

The financial report for the half year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 22 January 2010.

Note 1 Basis of preparation

This half year 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 year 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 2009 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 year financial report are consistent with the most recent Annual Financial Report for the year ended 30 June 2009.

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) Accounting Standards not previously applied

The Company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

(i) Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include the replacement of income statement with statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of ‘other comprehensive income’. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity.

(ii) Operating Segments

From 1 July 2009, the Company has adopted AASB 8 Operating Segments, whereby segment information is identified and disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company’s chief operating decision maker which, for the Company, is the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the statement of comprehensive income and statement of financial position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included. There have been no changes to the basis of segmentation as a result of the adoption of AASB 8, which are outlined in Note 4 to the financial statements.

Note 1 Basis of preparation (continued)

(c) Net current asset deficiency

As at 31 December 2009, the Company has recorded a net current asset deficiency of $75.9M. The deficiency is a result of two significant events during the half year to 31 December 2009:

Recognition of liabilities to the PPC1 system vendor
Approximately $51.8M of current liabilities relates to unpaid billing milestones and related capital expenditure in relation to the PPC-1 submarine cable system. These liabilities were recognised on the balance sheet at 1 October 2009 on acceptance of the PPC1 system (from the PPC-1 vendor) by the Company. Payments are due 30 days from the issue of invoices in accordance with defined billing milestones as per the supply agreement between the Company and the PPC-1 vendor. All invoices are expected to be issued within 12 months of balance date. These capital commitments were previously reported in Note 23(a) of the 2009 Annual Report.

Reclassification of the corporate debt facility to current liabilities
As per the Note 24 of the 2009 Annual Report, the Company's $40M corporate debt facility ($39.5M drawn at balance date) is for a 1.5 year term, maturing in August 2010. As a result the facility has been classified as a current liability for the half year ended 31 December 2009. The next review of the facility is due in April 2010.

Impact of TPG offer to acquire the Company on net current asset deficiency
As per the announcement made to market on 11 November 2009, TPG Telecom Ltd (ASX: TPM) has made an offer of $6.30 cash per ordinary share to acquire all outstanding shares in the Company via a Scheme of Arrangement ("Scheme"). The directors have unanimously recommended that shareholders vote in favour of the Scheme in the absence of a superior offer. More detailed information can be found in the Directors Report under "Significant changes in the state of affairs" and in the announcements made by the Company to the ASX.

In the event the Scheme is successful, it is expected that TPG will assume responsibility for the debts of the Company, being the sole shareholder on successful completion of the Scheme.

In the event the Scheme is unsuccessful, the Company will be required to:

- renegotiate its corporate debt facility terms. In light of the Company's net debt position of $24.7M at 31 December 2009, its strong NTA backing and the earnings forecast for the FY2010 year, the directors are comfortable that sufficient debt will be obtained if required, which will equate to FY2010 Debt to EBITDA ratio of approximately 1.1 times.

- obtain sufficient funding to meet its obligations under the supply agreement with the PPC-1 Vendor. PPC-1 has now moved off its construction phase and is now an operational, revenue-generating asset. In light of this, and after reviewing opportunities for future sales, the directors are comfortable that the Company will be able to secure funding to meet its obligations under the supply agreement if required. The optimal funding mix to maximise shareholder value will be determined by the Board when required.

(d) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates - market capacity for PPC1 Indefeasible Rights of Use ("IRU") sales
A material estimate in understanding the results for the period is the estimate of "market capacity" for IRU sales. In estimating market capacity, the directors have considered the current IRU sales, future sales pipeline, commissioned vs theoretical capacity and the general market for internet capacity to/from Australia. Market capacity is the basis on which the costs of the PPC1 system are apportioned to individual wavelengths to enable the calculation of the selling profit on each IRU sale, which is then recognised as revenue.

Note 1 Basis of preparation (continued)

(e) Intangible assets

During the period the Company acquired rights via Indefeasible Rights of Use ("IRU") contracts over:

- capacity on submarine cable systems from Guam to Japan and Guam and the USA; and
- rights over a duct on Guam for the purposes of landing PPC1 on the island.

These rights meet the criteria for recognition as Intangible Assets under AASB138 and the Company has recognised them in accordance with the requirements of the standard. The IRUs will be amortised over their useful life of 15 years and will be tested annually for impairment.

(f) Deferral of gain on derecognition of asset

During the period, the Company completed a transaction in which it exchanged submarine cable capacity with a third party under reciprocal IRU contracts. The Company has accounted for the transaction in accordance with *AASB116 Property Plant and Equipment* , however guidance regarding the treatment of any gain arising from difference in consideration received and the accounting cost of the asset disposed does not appear to be definitive. The Company has therefore elected to apply the matching principles established in the *Framework for the Preparation and Presentation of Financial Statements* and *SAC 2 Objective of General Purpose Financial Reporting* and deferred the gain over the term of the agreements, being 15 years. The Company believes that this treatment represents the underlying substance of the transaction, matching the inflow and outflow of economic benefits of the interdependent IRU contracts.

For income tax purposes, the transaction is treated consistently as per other transactions for the sale of capacity on PPC1 via IRU contracts. That is to say, the Company is expecting the gain from this transaction to be taxed upfront in the current period.

Note 2 Revenue and expenses

	6 months ended 31 December 2009 $ (,000)	6 months ended 31 December 2008 $ (,000)
a) Operating activities:		
Lease income from Dark fibre operating leases	**23,894**	18,579
Lease income from Telehousing operating leases	**3,908**	2,684
	27,802	21,263
Other sales and services	**3,130**	1,766
Selling profit on Indefeasible Rights of Use contracts	**14,937**	-
Operatins & mainenance revenue	**693**	-
Rebate income	**-**	13
Total revenue	**46,562**	23,042
b) Non-operating activities:		
Interest revenue	**64**	639
Foreign exchange gains	**1,350**	419
Sale of PPC-1 Papua New Guinea spur	**7,393**	-
Other revenue	**72**	18
Other income	**8,879**	1,076

c) Profit for the period

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

Bad and doubtful debts expense [1]	**560**	**129**
Travel and accomodation expenses	**400**	**379**

[1] Doubtful debts expense in the current period relates to an increase in the Company's overall Provision for Doubtful Debt as determined by the Directors.

Note 3 Dividends

	31 December 2009 $ (,000)	31 December 2008 $ (,000)
(a) Ordinary shares		
Fully franked dividends paid in respect of prior financial year *	**4,500**	3,569
Total dividends paid	**4,500**	3,569

* Fully franked dividend of 8 cents (2008: 7 cents) per ordinary share.

(b) Dividends not recognised at period end		
Dividends declared for the half year **	**-**	**-**

** As at 31 December 2009, the directors have not declared a dividend for the half year ended 31 December 2009 and made no recommendation concerning dividends for the half year or any period thereafter.

Note 4 Operating segments

The Group operates in two primary operating segments. The Domestic services segment provides telecommunication infrastructure and services in Australia and the International services segment that provides international telecommunications and internet transmission capacity between Australia, Guam, USA and Asia.

	Domestic services $(,000)	International services $(,000)	Unallocated $(,000)	Total $(,000)
Half year ended 31 December 2009				
Revenues from external customers	**29,687**	**25,684**	**-**	**55,371**
Interest revenue	**64**	**-**	**-**	**64**
Intersegment sales	**6**	**-**	**-**	**6**
Segment and total revenue	**29,757**	**25,684**	**-**	**55,441**
Segment net operating profit after tax	**6,493**	**10,134**	**-**	**16,627**
Direct costs of providing services	**9,286**	**430**	**-**	**9,716**
Network operating and maintence costs	**1,098**	**1,106**	**-**	**2,204**
Employee benefits expense	**4,844**	**421**	**-**	**5,265**
Depreciation and amortisation expense	**2,614**	**1,874**	**-**	**4,488**
Interest expense	**404**	**-**	**-**	**404**
Income tax expense (income)	**2,481**	**11,196**	**-**	**13,678**
Segment assets	**176,204**	**174,124**	**9,632**	**359,960**
Segment liabilities	**61,047**	**165,186**	**7,498**	**233,731**
Half year ended 31 December 2008				
Revenues from external customers	22,447	1,032	-	23,479
Interest revenue	628	11	-	639
Intersegment sales	-	-	-	-
Segment and total revenue	23,075	1,043	-	24,118
Segment net operating profit after tax	5,503	26	-	5,529
Direct costs of providing services	6,445	72	-	6,517
Network operating and maintence costs	592	284	-	876
Employee benefits expense	4,491	325	-	4,816
Depreciation and amortisation expense	1,930	5	-	1,935
Interest expense	255	-	-	255
Income tax expense (income)	2,207	(16)	-	2,191
Profit (loss) from discontinued operations after income tax	-	(279)	-	(279)
Segment assets	131,413	59,586	-	190,999
Segment liabilities	56,453	60,387	-	116,840

Note 4 Operating segments (continued)

(i) Reconciliation of segment assets to total assets per consolidated balance sheet

	Consolidated	
	31 December 2009 $(,000)	31 December 2008 $(,000)
Segment operating assets	**359,960**	190,999
Deferred tax assets	**1,613**	1,116
Intersegment eliminations	**(87,921)**	(47,675)
Total assets per consolidated balance sheet	**273,652**	144,440

(ii) Reconciliation of segment liabilities to total liabilities per consolidated balance sheet

	Consolidated	
	31 December 2009 $(,000)	31 December 2008 $(,000)
Segment operating liabilities	**233,731**	116,840
Deferred tax liabilities	**3,092**	1,445
Intersegment eliminations	**(87,920)**	(47,275)
Total liabilities per consolidated balance sheet	**148,903**	71,010

Note 5 Issued and quoted securities

Category of securities	31 December 2009 No. of shares	31 December 2009 $,000s	31 December 2008 No. of shares	31 December 2008 $,000s
Ordinary securities				
Balance at beginning of financial period	**56,254,651**	**72,541**	50,988,297	58,376
Issued during the period				
- Share placement [1]	**2,800,000**	**17,640**	-	-
- Executive and employee options exercised	**166,520**	**749**	-	-
Less transaction costs on shares issued	**-**	**(200)**	-	(84)
Balance at end of financial period	**59,221,171**	**90,730**	50,988,297	58,292

[1] The Company issued 2,800,000 ordinary shares at an issue price of $6.30 each to TPG Telecom Limited (ASX:TPM, formerly SP Telemedia Limited). For further details, please refer to the ASX announcement made by the Company on 11 November 2009 regarding SP Telemedia Ltd's offer to acquire the Company.

Note 6 Reconciliation of cash and cash equivalents

	31 December 2009 $ (,000)	31 December 2008 $ (,000)
Cash on hand and at bank	**14,796**	13,602
Total cash and cash equivalents at end of the period	**14,796**	13,602
Balances as per statement of cashflows	**14,796**	13,602

Note 7 Contingent assets and liabilities

PPC-1 Indefeasible Rights of Use ("IRU") contract revenue

During the period, the Company received revenue from customers for capacity on PPC-1 under the Indefeasible Rights of Use ("IRU") contracts signed with foundation customers. In accordance with the advice received from its professional taxation advisors, the Company has treated the sale of capacity under an IRU agreement as a disposal of "part" of the PPC-1 asset. The value of the "part" disposed is deducted from the IRU fee paid by the customer to determine the income on which the Company must pay income tax.

In determining the value of the "part" of PPC-1 disposed under each IRU contract the Company has used its own best judgement and estimates along with a review of the anticipated market for future sales of capacity under IRU contracts. The Company is in the process of requesting a Private Binding Ruling ("PBR") from the Commissioner of Taxation to confirm its treatment with a view to finalise prior to 30 June 2010.

The financial impact of any income tax payable/receivable cannot be reliably estimated at this stage.

PPC-1 Deferred tax assets

Due to the differing accounting and income tax treatment of a specific IRU contract as detailed Note 1, the Company is in a position to recognise a substantial deferred tax asset for the current period. This arises as a result of the income under the IRU contract being taxable in full in the current period, while recognition of the income for accounting purposes is amortised over the life of the IRU contract, being 15 years. As a result the Company has effectively prepaid income tax in relation to this income for accounting purposes and will realise the benefit over the term of the contract in the form of reduced income tax expense.

Noting the discussion above under "PPC-1 IRU contract revenue", the directors are of the view that until the ATO confirms agreement with the Company's valuation of the "part" of PPC-1 disposed under each IRU contract, the existence of the deferred tax asset cannot be guaranteed and therefore has elected not to recognise the asset in the current period. While this has resulted in an effective income tax rate of approximately 45.1% (HY08: 28.4%), the directors believe the position is justified until the PBR is finalised.

Should the PBR confirm the Company's position, this will result in an increase in Deferred Tax Assets ("DTA") of approximately $4.7M and an associated decrease in Deferred Tax Expense of $4.7M. The Company notes the recognition/non-recognition of the DTA balance will have no impact on cashflows for the period.

As a result the recoverability of the DTA and the related income tax benefit cannot be realiably determined at this stage.

Guarantees

The Company operates an Indemnity and Guarantee facility with ANZ Banking Group Ltd in respect of its liabilities under any non-cancellable operating leases and various supplier agreements it has entered. The balance of this facility at 31 December 2009 is $1,861,052.

Note 8 Events occurring after balance date

No other matters or circumstances have arisen since 31 December 2009 that have significantly affected to 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.

Further Information

Ratios

	Current period %	Previous corresponding period %
Profit before tax / revenue		
Profit (loss) from ordinary activities before tax as a percentage of revenue	**55%**	32%
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%**	6%

NTA backing

	Current period Cents	Previous corresponding period Cents
Net tangible asset backing per ordinary security *	**153.42**	144.66

* Indefeasible Rights of Use (IRU) acquired by the Company during the period are classified as Intangible assets as discussed in Note 1(e).

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 19 are in accordance with the Corporations Act 2001 including:

   (i) giving a true and fair view of the financial position of the Consolidated entity as at 31 December 2009 and of its performance for the half year ended on that date; and

   (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting

(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

Jason Sinclair
COO/Executive Director

Dated at Brisbane
22 January 2010

Level 3
549 Queen Street
Brisbane QLD 4000

Telephone 07 3839 9733
Facsimile 07 3832 1407

Email advice@hacketts.com.au
Website www.hacketts.com.au

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 balance sheet as at 31 December 2009, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the half-year ended on that date, the accounting policies and 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 2009 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 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 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.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the consolidated entity for the half-year ended 31 December 2009 included on the website of Pipe Networks Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

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:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

- complying with AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Hacketts

Hacketts DFK
Brisbane

Shaun Lindemann
Audit Partner

Dated: 22 January 2010

Liability limited by a scheme approved under Professional Standards Legislation