Appendix 4E

Preliminary Final Report to the Australian Stock Exchange

Name of Entity	**PIPE Networks Limited**
ABN	21 099 104 122
Financial Year Ended	30 June 2009
Previous Corresponding Reporting Period	30 June 2008

Results for Announcement to the Market

	12 months ended 30 June 2009 $(,000)	**12 months ended 30 June 2008 $(,000)**	**Movement $(,000)**	**Movement %**
Revenue from continuing operations	**50,423**	34,581	15,842	46%
Profit (loss) after income tax from continuing operations	**10,473**	7,235	3,238	45%
Net profit (loss) for the period attributable to members	**10,504**	7,204	3,300	46%
Earnings before interest, tax, depreciation and amortization (EBITDA)	**18,581**	12,982	5,599	43%

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final Dividend	8 cents	100%
Interim Dividend	0 cents	NA
Record date for determining entitlements to the dividends (if any):		
The Directors have declared a final fully-franked dividend of 8 cents per fully paid share (2008 - 7.0 cents) payable on 20 November 2009 to shareholders registered as at 5:00pm on 6 November 2009. Please refer to Note 19 of the notes to the financial statements for details on the dividend and the optional Dividend Reinvestment Plan announced to market on 25 June 2009.		

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to the accompanying directors' report, financial statements and notes.

Ratios

	Current period	Previous corresponding period
Profit/(loss) before tax / revenue Profit (loss) from ordinary activities before tax as a percentage of revenue	**29%**	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	**11%**	10%

NTA Backing

	Current Period (Cents)	Previous corresponding Period (Cents)
Net tangible asset backing per ordinary security	**165.91**	140.63

Commentary on the Results for the Period

Refer to the accompanying directors' report, financial statements and notes.

Audit/Review Status

This report is based on accounts to which one of the following applies:			
The accounts have been have been audited and the audit report contains no qualifications	X	The accounts have been subject to review	
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	

Financial Statements

Refer to the accompanying directors' report, financial statements and notes.

By Order of the Board

Bevan Slattery
Director
24 August 2009

Directors' Report

Your directors present their report on PIPE Networks Limited (the Company) and its controlled entities for the financial year ended 30 June 2009.

Directors

The names of directors in office at any time during or since the end of the year are:

Roger Clarke – Chairman, Age 61, Appointed 25 January 2005

Mr Roger Clarke is the Chairman of the Board and has over 30 years commercial experience in the investment banking industry, with responsibilities in fund management, banking and corporate finance. He is also the Chairman of Board of Advice at ABN AMRO Morgans Limited, and in this capacity has been involved in a significant number of initial public offerings, capital raisings and corporate transactions.

Mr Clarke holds a Bachelor of Commerce degree and is a Chartered Accountant. Mr Clarke is also Chairman of the Company's Audit and Risk Management Committee.

Other Current Directorships
Mr Clarke currently serves as a director on the board of the following listed companies:

- Tissue Therapies Ltd
- Trojan Equity Ltd

Former Directorships in the last 3 years
Mr Clarke ceased being a listed company director of the following companies within the last 3 years.

- Maverick Drilling International Ltd, formerly White Sands Petroleum Ltd

Greg Baynton – Non-Executive Director, Age 40, Appointed 3 December 2004

Mr Greg Baynton is the founder and Managing Director of Orbit Capital, a boutique investment bank and holder of Financial Services Licence No. 230327. He comes from a background in merchant banking and Queensland Treasury, and has experience in infrastructure investment, capital raisings, IPOs, pre-IPO funding, corporate structuring and corporate governance. He holds a Bachelor of Business (Accountancy), a Master of Economic Studies (UQ), a Post-graduate Diploma in Applied Finance & Investment (SIA), and a Master of Business Administration in New Venture Management (QUT).

Mr Baynton is a Fellow of the Australian Institute of Company Directors and an Associate of the Financial Services Institute of Australasia. Mr Baynton is a member of the Company's Audit and Risk Management Committee.

Other Current Directorships
Mr Baynton currently serves as a director on the board of the following listed companies:

- Lodestone Energy Ltd (formerly Lodestone Exploration Ltd)
- Tissue Therapies Ltd
- Diversa Ltd (formerly Ambri Ltd)

Former Directorships in the last 3 years
Mr Baynton has not ceased any listed company directorships in the last 3 years.

Lloyd Ernst – Non-Executive Director, Age 43, Appointed 23 March 2005 and resigned 27 October 2008

Mr Ernst is a well regarded technical expert in the Australian Internet industry and his expertise provided the Board with a non-executive technical perspective on the Company's operations that was useful assessing the performance of the Company.

Other Current Directorships
Mr Ernst has no other current directorships in listed companies.

Former Directorships in the last 3 years
Mr Ernst has not ceased any other listed company directorships in the past 3 years.

Bevan Slattery – Chief Executive Officer/Managing Director, Age 38, Appointed 19 December 2001

Mr Bevan Slattery is the CEO/Managing Director and co-founder of the Company. He comes from a background in building successful Australian IT and telecommunication companies and an earlier career in administration in local and state government.

Mr Slattery was awarded 'Young Entrepreneur of the Year' in the Northern Region finals of the 2006 Ernst & Young Entrepreneur of the Year awards. He holds a Masters in Business Administration from Central Queensland University.

In August 2009 Mr Slattery was awarded the ACOMM Telecommunications Ambassador of the Year Award in recognition of his contribution as visionary in the industry and his personal quest to advance Australia's access to technology and promote progress in the Telecommunications market.

Mr Slattery has temporarily assigned his general management duties for the Company's Domestic operations to Mr Jason Sinclair, Chief Operating Officer, until the end of 2009. This change was to enable Mr Slattery to focus on the launch of the Company's PPC-1 submarine cable system and the Company's International operations. Mr Slattery continues to serve as Chief Executive Officer of the Company and is the a member of the Company's Audit and Risk Management Committee.

Other Current Directorships
Mr Slattery has no other current directorships in listed companies.

Former Directorships in the last 3 years
Mr Slattery has not ceased any listed company directorships in the past 3 years.

Stephen Baxter – Non-Executive Director, Age 38, Appointed 19 December 2001

Mr Stephen Baxter's extensive internet and telecommunications experience includes the establishment of SE Net, a successful Internet company based in Adelaide, South Australia. SE Net grew to be the largest ISP operation in the state with over 33,000 customers and 76 staff at peak.

Mr Baxter was awarded 'Young Entrepreneur of the Year' in the Northern Region finals of the 2006 Ernst & Young Entrepreneur of the Year awards. The award was in recognition of his efforts in co-founding and building PIPE Networks Limited from a small private company into an ASX-Listed Telecommunications Carrier in just 5 years.

Mr Baxter was formerly the Chief Technical Officer (CTO) of the Company and during his term oversaw technical operations for the Company including the construction of data centres, the inter-capital transmission network, DWDM network builds, VOIP Peering and other projects. In addition Mr Baxter also represented PIPE Networks at various industry forums. Mr Baxter resigned as CTO of the Company effective 30 June 2008, and continues to serve as a Non-executive Director. Mr Baxter is now a Technical Program Manager with Google Inc based in California, USA.

Other Current Directorships
Mr Baxter has no other current directorships in listed companies.

Former Directorships in the last 3 years
Mr Baxter has not ceased any listed company directorships in the past 3 years.

Jason Sinclair – Chief Operating Officer/Executive Director, Age 35, Appointed 2 July 2008

Mr Jason Sinclair is the Chief Operating Officer of the Company and is responsible for the Company's technical operations, overseeing the delivery of core products and internal provisioning, customer service and quality systems. He has over 12 years industry experience and has held a variety of senior operational roles in leading carriers and ISP's including Powertel, Pacific Internet and Dodo. He is currently completing his Masters of Business Administration (MBA) at Southern Cross University.

Mr Sinclair is currently serving as the General Manager of the Company's Domestic operations until the end of 2009 as per the announcement to market on 13 July 2009.

Other Current Directorships
Mr Sinclair has no other current directorships in listed companies.

Former Directorships in the last 3 years
Mr Sinclair has not ceased any listed company directorships in the past 3 years.

Company secretary

Malcolm Thompson, Company Secretary & Chief Financial Officer, Appointed 25 January 2005 and resigned Company Secretary role 6 January 2009

Mr Malcolm Thompson has over 17 years experience gained in public accounting practice, domestic and international commerce and government. Mr Thompson has held a variety of roles encompassing financial, management and systems accounting within complex organisations ranging from large government departments to high growth technology companies.

Louise Bolger, Company Secretary & General Counsel, Appointed 6 January 2009

Ms Louise Bolger has been a lawyer for almost 10 years, commencing her career at law firm Blake Dawson before continuing onto to in-house roles with Telstra, Logica and Bank of Queensland.

Ms Bolger holds a Bachelor of Laws (First Class Honours) and a Bachelor of Arts (Modern Asian Studies) from Griffith University and a Graduate Diploma of Legal Practice from the Australia National University. She is currently undertaking a Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia.

Principal activities

During the year the principal continuing activities of entities within the consolidated entity were the provision of telecommunications services to internet service providers, telecommunications carriers and the corporate marketplace. The Company owns and operates infrastructure in metropolitan areas of Australia and is expanding services through construction of an undersea cable system linking Sydney to Guam (with onward capacity to the USA and Japan) due for completion in the 2010 financial year.

Operating results

The profit of the consolidated entity after tax amounted to $10.5 million. This compares with 2008 after tax profit of $7.2 million representing a 46% increase.

Dividends – PIPE Networks Limited

Dividends paid during the year to members were:

	2009 ($,000)	2008 ($,000)
Final fully franked ordinary dividend for the year ended 30 June 2008 of 7.0 cents (2007 – 5.0 cents) per fully paid share paid 21 November 2008	**3,569**	2,219
	3,569	2,219

In addition to the above dividends, since year end the Directors have declared a final franked dividend of 8.0 cents per fully paid share (2008 – 7.0 cents) payable on 20 November 2009 to shareholders registered as at 5:00pm on 6 November 2009.

Review of operations

The consolidated profit after tax from continuing operations for the year ended 30 June 2009 was $10.5 million, an increase of 46 per cent from $7.2 million in the previous year. This result includes the results of continued subsidiaries including costs associated with construction of undersea submarine fibre optic cable from Sydney to Guam, with onwards connectivity from Guam to the US and Guam to Japan which is expected to be operational from early October 2009.

Basic earnings per security were 19.89 cents for the year, an increase of 4.06 cents from 15.83 cents in prior year. Net tangible asset backing per ordinary security continued to improve from 140.63 cents in FY08 to 165.91 cents in FY09.

Sales revenue from operating activities increased by 46% to $49.7 million for the year ended 30 June 2009, up from $34.2 million in the previous year. Revenue growth is primarily driven by strong demand for dark fibre, tele-housing and peering products.

In line with earnings guidance on 25 June 2009, further revenue growth is forecast in FY10 from domestic business driven by existing contracted recurring revenue and future demand for PIPE products. The company launched new products, PipeEthernet and PipeIP, in FY09 which are expected to deliver increased sales from both existing and new customer base in FY10. The Company has also invested in additional sales resources and up skilling of existing sales resources to support FY10 growth.

The company's domestic fibre optic network has expanded significantly over the past twelve months. The company currently owns over 1,300 km of fibre optic cable covering key strategic IT infrastructure locations. The utilisation of existing fibre network improved from 22.5% in Jun-08 to 24.8% in Jun-09. The network investment in FY09 resulted in 18.3% increase in network reach.

To supplement its domestic dark fibre growth, the company invested in Data Centre facilities during FY09 adding capacity to both Sydney and Melbourne facilities. The full operational cost of these facilities in reflected in the income statement, however both sites offer significant available capacity in coming years supported by customer demand.

The Group invested further in its PPC-1 submarine cable system with maximum capacity of 1.92 Tbps and ~6,900km in length. The cable is expected to be operational by early October 2009. In line with earnings guidance on 25 June 2009, the demand for PPC-1 cable capacity is underpinned by strong interest from major international and domestic carriers, internet service providers (ISPs), application service providers and government organisations. Most of supplier payment milestones have been aligned with customer billing milestones as per a contract variation in February 2009.

The increase in network footprint compared to the previous period has resulted in increased direct costs of providing services, network operating and maintenance costs and depreciation. While strong revenue growth contributed to increased employee costs, a strong focus on internal cost control resulted in employee benefits expense as a percentage of operating revenue improving from 20.6% in FY08 to 19.9% in FY09.

A strong focus on cash management resulted in reduction of borrowings from $43.1 million in FY08 to $38.5 million in FY09. Debt to EBITDA for the group remained strong at 2.1 times for the year (FY08: 3.3 times). Further capital investment in the PPC-1 submarine cable system, domestic fibre networks and data centre capacity saw property, plant and equipment rise from $94.1 million in FY08 to $143.4 million in FY09.

In line with earnings guidance on 25 June 2009, profit and cash flow margins are expected to improve in FY10 as PPC-1 is commissioned and the domestic operations focus on improving network utilisation. Management expects that cash generation from domestic operations will remain strong in FY10.

Significant changes in the state of affairs

The Company divested its investment in its subsidiary, Vocus Connect Pty Ltd during the period. Further details can be found in Note 17 of the financial statements.

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

(a) An increase in issued capital of PIPE Networks Limited as follows:

	2009 $
Institutional share placement: issue of 3,500,000 shares at $2.80 each	9,800,000
Share purchase plan: issue of 1,766,354 shares at $2.80 to existing shareholders	4,945,000
Less: transaction costs arising on share issue	(545,000)
	14,200,000

(b) Net cash received from the increase in issued capital will be used to fund capital investment programs.

(c) The Company renewed its corporate debt facility of $40 million with ANZ Bank in May 2009 on substantially the same terms as the existing facility. Further details can be found in Note 24 of the financial statements.

Matters subsequent to the end of financial year

The following events occurred after balance date:

- On 13 July 2009, Mr Jason Sinclair was appointed to the newly created role of General Manager, Domestic Operations for the Company. The appointment is until the end of 2009 and will enable Group CEO and Managing Director, Bevan Slattery, to concentrate on the imminent launch of the PPC-1 submarine cable system and the Company's International Operations.
- On 20 July 2009, Mr Robin Khuda commenced his role as Group Chief Financial Officer of the Company.
- On 24 August 2008, the Company tested the first light transmission over the PPC-1 cable system, as announced to market on that day. This test represents that physical completion of the PPC-1 system and commencement of the testing phase in the development program.

Other than the matters disclosed above, no other matters or circumstances have arisen since 30 June 2009 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.

Likely developments and expected results of operations

During the period the Company continued construction of a new submarine cable system linking Australia to Guam. Upon completion of the project in October 2009, this asset will start generating profitable revenue streams in FY10 and future years.

Further information on likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to be prejudicial to the commercial interests of the Company.

Directors meetings

	Directors Meetings		Audit Committee	
Directors	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**
R. Clarke	13	12	2	2
B. Slattery	13	13	2	2
S. Baxter	13	12	0	0
G. Baynton	13	12	2	2
L. Ernst	5	3	0	0
J. Sinclair	13	13	0	0

Directors' shareholdings

The following table sets out each director's relevant interest in shares or options in shares of the company.

Directors	PIPE Networks Limited		
	Fully paid ordinary shares	Share options	Convertible notes
	Number	Number	Number
R. Clarke	233,572	-	-
B. Slattery	8,103,572	-	-
S. Baxter	8,003,572	-	-
G. Baynton	628,853	-	-
L. Ernst [1]	119,567	-	-
J. Sinclair	-	-	-

[1] Mr Ernst resigned his directorship on 27 October 2008.

Remuneration report (audited)

This report outlines the remuneration arrangements for PIPE Networks' Directors and key management personnel in accordance with the requirements of the Corporations Act 2001. It also provides the remuneration disclosures required by Accounting Standard AASB 124 "Related Party Disclosures". The disclosures' in this report cover the Directors of PIPE Networks (**Directors**) and the key management personnel (**Executives**) having the greatest authority for managing the Company and its controlled entities.

(a) Principles used to determine the amount of remuneration

Remuneration of non-executive directors

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board (acting as the Remuneration Committee) determines payments to the executive and non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

Employment contracts of executive directors and other key management personnel

The employment conditions of the Chief Executive Officer, Mr Bevan Slattery and Chief Operations Officer, Mr Jason Sinclair, and key management personnel are formalised in contracts of employment. All executives are permanent employees of PIPE Networks Limited, with no fixed contract term.

The Directors' employment contracts stipulate a 12 week notice period for resignation or termination. The Company may terminate a director's employment contract without cause by providing 12 weeks written notice or making payment in lieu of notice, based on the individual director's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

Employment conditions of executives (other then Mr Brett Worrall, discussed below) are formalised in contracts of employment with each executive. Remuneration of an executive is established on employment having regard to current market rates and independent recruitment advice where appropriate. Any review of remuneration, in the form of salary reviews, bonuses or long term incentives is at the discretion of the executive directors, within guidelines established by the board members acting as the Remuneration Committee.

The employment contract of Mr Brett Worrall is in the form of a consulting agreement between Pipe International (Australia) Pty Ltd (a controlled entity within the Group) and Interworld Communication services Pty Ltd ("ICWS")of which Mr Worrall is a director. The term of this agreement is linked directly to the successful delivery of the PPC-1 project currently under construction. Either party may terminate this agreement at any time by giving 180 days notice in writing. Any fees outstanding to the date of termination will be payable by the Group. In the event of a breach of the agreement by ICWS, the Company may terminate the agreement 28 days after giving notice to show cause if said breach is not remedied.

Remuneration report (continued)

(a) Principles used to determine the amount of remuneration (continued)

Performance-based remuneration
Performance-based components seek to align the rewards attainable by Executive Directors and Executives with the achievement of particular objectives and the creation of shareholder value over the short and long term.

The Executive Directors' and executives participated in performance-based remuneration during the period. A specified component of the Executive Directors total remuneration was at risk and contingent upon the parent Company achieving its budgeted net profit after tax (NPAT) target for the year. Executives were awarded bonuses for the achievement of specific quarterly recurring revenue and gross profit targets set by the Executive Directors during the period.

Relationship of remuneration to performance
A cash performance bonus was awarded to the Executive Directors, Mr Bevan Slattery and Mr Jason Sinclair in relation to the period. The bonus was an at-risk incentive and contingent on the achievement of budgeted NPAT targets approved by the Board.

Cash bonuses were also awarded to Executives during the period. Bonuses were linked to the short-term performance of the Company and specifically for the achievement of quarterly recurring revenue and gross profit targets during the period. These targets were determined by Executive directors with reference to market demand, network growth and Board approved budgets.

The Board acting as Remuneration Committee set any bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the economic entity. The Remuneration Committee reviews the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjusts future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

Company performance, shareholder wealth and director and executive remuneration
The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to executives to encourage the alignment of personal and shareholder interests. The Company believes this policy to have been effective in increasing shareholder wealth over the past two years.

The following table shows the gross revenue, profits and dividends for the last two years for the listed entity, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows an increase in profits each year as well as an increase or maintenance of dividends paid to shareholders. The improvement in the Group's performance over the two years has been reflected in the Company's share price with an increase each year. The board is of the opinion that these results can be attributed in part to the previously described remuneration policy and is satisfied that this continued improvement has led to increased shareholder wealth over the past two years.

	Consolidated 2009 $(,000)	Consolidated 2008 $(,000)	Consolidated 2007 $(,000)	Parent 2006 $(,000)	Parent 2005 $(,000)
Revenue	**50,423**	34,581	24,277	13,213	4,716
Net profit	**10,504**	7,204	4,831	2,838	846
Share price at year end	**$4.35**	$3.60	$3.43	$2.10	$0.61
Dividends	**8c**	7c	5c	2c	-

Remuneration report (continued)

The Company and consolidated entity has identified its key management personnel for the year ended 30 June 2009 as follows:

Board of Directors

Roger Clarke	Chairman and non-executive director
Greg Baynton	Non-executive director
Lloyd Ernst	Non-executive director [*resignation effective 27 October 2008*]
Stephen Baxter	Non-executive director
Bevan Slattery	Managing Director (executive) & Chief Executive Officer
Jason Sinclair	Executive director & Chief Operations Officer

Key Management Personnel (Relevant Group Executives)

Malcolm Thompson	Company Secretary & Chief Financial Officer [*resignation effective 28 February 2009*]
Louise Bolger	Company Secretary & General Counsel
Brett Worrall	Chief Operating Officer - PIPE International (Australia) Pty Ltd
Matt Hollis	General Manager Corporate & Strategy [*commenced 19 November 2008*]
Warwick Pye	General Manager Sales [*resignation effective 29 August 2008*]
Tobias Carlisle	General Manager Corporate & Regulatory – PIPE International (Australia) Pty Ltd [*resignation effective 22 August 2008*]
Mark Pawsey	General Manager Corporate & Strategy [*resignation effective 19 February 2009*]

Other Group Executives *

Ian Bendall	National Sales Manager – Corporate & Government
Dayandhan Naik	General Manager – Fibre Operations

* Note - These executives do not meet the criteria for key management personnel as per accounting standards; however their remuneration is disclosed as they are among the 5 highest paid executives in the Company.

Remuneration report (continued)

(b) Key management personnel remuneration for year ended 30 June 2009

	Short-term benefits			Post-employment	Long-term benefits	Termination benefits	Share-based payments	Total	Performance based
2009	**Salary, fees & commissions**	**Non-monetary benefits**	**Cash bonus** [1]	**Super-annuation**			**ESOP**		
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Directors									
Roger Clarke	55,046	-	-	4,954	-	-	-	60,000	-
Greg Baynton	45,000	-	-	-	-	-	-	45,000	-
Lloyd Ernst [2]	-	13,750	-	-	-	-	-	13,750	-
Bevan Slattery	320,000	5,815	45,872	32,928	-	-	-	404,615	12
Stephen Baxter	41,284	-	-	3,716	-	-	-	45,000	-
Jason Sinclair	181,284	6,105	36,697	19,619	-	-	-	243,705	16
	656,364	11,920	82,569	61,217	-	-	-	812,070	
Key Management Personnel									
Malcolm Thompson [3]	91,952	-	-	8,276	-	-	-	100,228	-
Louise Bolger	129,969	-	-	11,697	-	-	-	141,666	-
Brett Worrall [4]	300,000	-	-	-	-	-	-	300,000	-
Matt Hollis	82,922	-	42,951	11,329	-	-	-	137,202	34
Warwick Pye [5]	29,304	2,933	16,514	4,124	-	37,792	-	90,667	20
Tobias Carlisle [6]	26,582	-	-	5,183	-	12,858	-	44,623	-
Mark Pawsey [7]	45,343	-	-	4,081	-	36,499	-	85,923	-
	706,072	2,933	59,465	44,690	-	87,149	-	900,309	
Other Group Executives									
Ian Bendall	194,200	-	96,330	26,148	-	-	-	316,678	50
Dayandhan Naik	114,238	-	45,858	14,409	-	-	-	174,505	29
	308,438	-	142,188	40,557	-	-	-	491,183	

[1] All cash bonuses relate to performance during the reporting period. Where amounts remain unpaid, payments will be made within 3 months of the end of the financial year.
[2] Resignation effective 27 October 2008.
[3] Resignation effective 28 February 2009.
[4] In line with the Group's capitalisation policy, fees paid have been capitalised as part of the cost of the PPC-1 project.
[5] Resignation effective 29 August 2008.
[6] Resignation effective 22 August 2008.
[7] Resignation effective 19 February 2009.

Remuneration report (continued)

(b) Key management personnel remuneration for year ended 30 June 2008

	Short-term benefits			Post-employment	Long-term benefits	Termination benefits	Share-based payments	Total	Perform-ance based	% Remune-ration for the year consist-ing of options
2008	**Salary, fees & commissions**	**Non-monetary benefits**	**Cash bonus [1]**	**Super-annuation**			**ESOP**			
	$	$	$	$	$	$	$	$	%	%
Directors										
Roger Clarke	45,261	-	-	4,073	-	-	-	49,334	-	-
Greg Baynton	35,775	-	-	-	-	-	-	35,775	-	-
Lloyd Ernst [2]	124,998	35,775	-	-	-	-	-	160,773	-	-
Bevan Slattery	150,000	5,155	36,697	16,803	-	-	-	208,655	19	-
Stephen Baxter	127,571	28,966	45,872	15,662	-	10,469	-	228,540	22	-
	483,605	69,896	82,569	36,538	-	10,469	-	683,077		
Key Management Personnel										
Malcolm Thompson	131,445	6,170	-	12,385	-	-	2,100	152,100	-	1
Warwick Pye	145,844	35,300	156,651	27,873	-	-	2,100	367,768	46	0.5
Jason Sinclair[3]	48,282	16,821	-	4,345	-	-	-	69,448	-	-
Brett Worrell [4]	50,000	-	-	-	-	-	-	50,000	-	-
Tobias Carlisle [5]	124,660	-	-	43,609	-	-	2,100	170,369	-	1
	500,231	58,291	156,651	88,212	-	-	6,300	809,685		
Other Group Executives										
Thomas Cannon [6]	28,617	-	-	2,485	-	-	-	31,102	-	-
Dayandhan Naik [7]	76,894	-	-	6,920	-	-	2,100	85,914	-	2
Robert Purdon	94,028	-	-	8,463	-	-	2,100	104,591	-	2
	199,539	-	-	17,868	-	-	4,200	221,607		

[1] All cash bonuses relate to performance during the reporting period. Where amounts remain unpaid, payments will be made within 3 months of the end of the financial year.
[2] Mr Ernst's remuneration is a combination of amounts paid during his role as a non-executive director and the six month period during which he served as the Company's Chief Operating Officer.
[3] Mr Sinclair commenced with the Company on 27 February 2008.
[4] Mr Worrell commenced with the Company on 1 May 2008.
[5] Mr Carlisle held two executive roles during the period and the remuneration disclosed is the total paid to him during the period.
[6] Mr Cannon resigned 18 September 2007.
[7] Mr Naik assumed his executive role on 26 October 2007. Prior to this, Mr Naik was a senior Project Manager with the Company. The remuneration disclosed is for the period during which Mr Naik was an executive with the Company.

Remuneration report (continued)

(d) Share options granted to Key management personnel as compensation for the year ended 30 June 2009

Directors

No share options were granted to directors as compensation during the reporting period.

Executives

No share options were granted to executives as compensation during the reporting period.

(e) Share options granted to Key management personnel as compensation for the year ended 30 June 2008

Directors

No share options were granted to directors as compensation during the reporting period.

Executives

Details of share options granted as compensation during the reporting period under the Executive Share Option Plan (‘ESOP’) are outlined below:

2008	No. options granted [1]	No. options vested & exercisable	Fair value per option	Exercise price	Amount paid or payable	Expiry date	Date exercisable
Executives							
Malcolm Thompson	2,500	2,500	$0.84	$4.50	$11,250	12/12/2009	13/12/2007
Warwick Pye	2,500	2,500	$0.84	$4.50	$11,250	12/12/2009	13/12/2007
Tobias Carlisle	2,500	2,500	$0.84	$4.50	$11,250	12/12/2009	13/12/2007
Dayandhan Naik	2,500	2,500	$0.84	$4.50	$11,250	12/12/2009	13/12/2007
Robert Purdon	2,500	2,500	$0.84	$4.50	$11,250	12/12/2009	13/12/2007
	12,500	12,500					

[1] Share options issued to executives under the ESOP were issued as a reward for the success of the Company during the period. No specific performance criteria were specified. The Board acting as the Remuneration Committee granted options to all employees of the Company based on employee classification (full-time or part-time) for employees employed as at 13 December 2007.

Shares under option

Un-issued ordinary shares of PIPE Networks Limited under option at the date of this report are as follows:

Date options granted	Expiry Date	Exercise price	Number under option
12 December 2007	13/12/2009	$4.50	129,014

No option holder has any right under the options to participate under any other share issue of the Company or of any other entity.

Shares issued on the exercise of options

There were no shares of PIPE Networks Limited issued during the year ended 30 June 2009 on the exercise of options.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor’s expertise and experience with the Company are important.

The Board of directors has considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Non-audit services (continued)

The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year are set out in the table below:

	30 June 2009 $	30 June 2008 $
Taxation & other services	**2,250**	7,159

Environmental regulation

There are no significant environmental regulations that impact the operations of the Company. The directors do note however that the Company is in the process of constructing an undersea cable system (PPC-1) through its subsidiaries. Part of the requirements for owning and operating PPC-1 are key permits in various jurisdictions; some of which require compliance with environmental regulations. For further details on permitting and the progress to date, please refer to Note 11 of the financial report.

Insurance of officers

The Company has indemnified directors and officers to the maximum extent permitted by law, against any liability incurred by them as, or by virtue of their holding office as and acting in the capacity of, an officer of the Company. This does not include such liabilities that arise from conduct involving wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

Proceedings on behalf of the Company

No proceedings have been brought, or intervened in, on behalf of the Company with leave of the Court under s.237 of the Corporations Act 2001.

Auditor independence declaration

A copy of the auditor's independence declaration as required under section 307C of The Corporations Act 2001 is attached to this report.

Rounding of amounts

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

Signed in accordance with a resolution of the Board of Directors.

BEVAN SLATTERY
CEO and Managing Director
Signed at Brisbane, 24 August 2009

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24 August 2009

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

Auditors Independence Declaration under Section 307C of the *Corporations Act 2001* to the Directors of PIPE Networks Limited and Controlled Entities

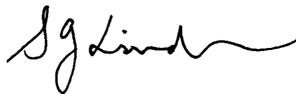
I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Yours faithfully

Hacketts DFK



Shaun Lindemann
Audit Partner

Liability limited by a scheme approved under Professional Standards Legislation

PIPE NETWORKS LIMITED

ABN 21 099 104 122

Financial report for the year ended 30 June 2009

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Income statements for the year ended 30 June 2009

		Consolidated		Parent entity	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
	Notes	$ (,000)	$ (,000)	$ (,000)	$ (,000)
Continuing operations					
Revenue	2a	**49,680**	34,237	**48,239**	34,039
Other income	2b	**743**	344	**731**	336
		50,423	34,581	**48,970**	34,376
Direct costs of providing services		**(14,843)**	(9,893)	**(14,244)**	(9,893)
Network operating and maintenance costs		**(1,648)**	(1,206)	**(1,454)**	(1,111)
Marketing and advertising costs		**(468)**	(379)	**(356)**	(355)
Employee benefits expense		**(9,874)**	(7,050)	**(9,300)**	(6,981)
Depreciation and amortisation expense		**(4,400)**	(2,937)	**(4,387)**	(2,937)
Finance costs		**(312)**	(198)	**(312)**	(198)
Building and equipment rental costs		**(604)**	(530)	**(549)**	(515)
Corporate and administrative costs		**(1,618)**	(1,012)	**(1,288)**	(753)
Other expenses		**(2,123)**	(1,198)	**(1,383)**	(1,060)
Profit for the year before income tax	2c	**14,533**	10,178	**15,699**	10,572
Income tax expense	7a	**(4,060)**	(2,943)	**(4,233)**	(3,015)
Profit for the year from continuing operations		**10,473**	7,235	**11,466**	7,557
Discontinued operations	17				
Profit (loss) for the year from discontinued operations		**31**	(31)	**-**	-
Profit attributable to members of PIPE Networks Limited		**10,504**	7,204	**11,466**	7,557
Earnings per share	31	**Cents**	Cents		
Overall operations:					
- Basic Earnings per share		**19.89**	15.63		
- Diluted Earnings per share		**19.89**	15.63		
Continuing operations:					
- Basic Earnings per share		**19.83**	15.80		
- Diluted Earnings per share		**19.83**	15.80		
Discontinued operations:					
- Basic Earnings per share		**0.06**	(0.07)		
- Diluted Earnings per share		**0.06**	(0.07)		

The above income statements should be read in conjunction with the accompanying notes.

Balance sheets as at 30 June 2009

		Consolidated		Parent entity	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
	Notes	$ (,000)	$ (,000)	$ (,000)	$ (,000)
Current assets					
Cash and cash equivalents	21a	**3,286**	22,061	**3,227**	18,234
Term deposits - secured	21b	**-**	5,000	**-**	5,000
Trade and other receivables	4a	**8,439**	3,204	**7,591**	3,204
Other assets	5a	**1,284**	1,990	**1,125**	1,671
Total current assets		**13,009**	32,255	**11,943**	28,109
Non-current assets					
Trade and other receivables	4b	**650**	1,787	**71,551**	45,998
Property, plant and equipment	11	**143,399**	94,086	**63,042**	50,184
Deferred tax assets	8a	**1,396**	773	**710**	581
Financial assets	6a	**250**	250	**250**	650
Other assets	5b	**2,705**	1,342	**2,485**	1,342
Total non-current assets		**148,400**	98,238	**138,038**	98,755
Total assets		**161,409**	130,493	**149,981**	126,864
Current liabilities					
Trade and other payables	12	**6,640**	5,969	**5,452**	5,499
Accrued expenses	15	**1,537**	417	**1,427**	729
Borrowings	13a	**10**	133	**10**	47
Prepaid revenue	14a	**13,328**	2,878	**2,193**	1,099
Current tax liabilities	10	**762**	608	**705**	550
Provisions	16a	**437**	257	**437**	257
Total current liabilities		**22,714**	10,262	**10,224**	8,181
Non-current liabilities					
Borrowings	13b	**38,518**	43,000	**38,518**	43,000
Prepaid Revenue	14b	**5,343**	4,698	**5,343**	2,722
Deferred tax liabilities	9	**1,790**	645	**1,452**	625
Provisions	16b	**103**	55	**103**	55
Total non-current liabilities		**45,754**	48,398	**45,416**	46,402
Total liabilities		**68,468**	58,660	**55,640**	54,583
Net assets		**92,941**	71,833	**94,341**	72,281
Equity					
Issued capital	18	**72,541**	58,376	**72,541**	58,376
Reserves		**111**	111	**111**	111
Retained profits		**20,289**	13,353	**21,689**	13,794
Parent interest		**92,941**	71,840	**94,341**	72,281
Minority interest		**-**	(7)	**-**	-
Total equity		**92,941**	71,833	**94,341**	72,281

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity for the year ended 30 June 2009

	Notes	Consolidated		Parent entity	
		30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Issued capital					
Ordinary share capital at beginning of year		**58,376**	32,917	**58,376**	32,917
Share capital issued during year		**14,745**	26,225	**14,745**	26,225
Cost of share options exercised transferred from options reserve		**-**	71	**-**	71
Transaction costs	18	**(580)**	(837)	**(580)**	(837)
Balance of share capital at end of year		**72,541**	58,376	**72,541**	58,376
Options reserve					
Options reserve at beginning of year		**111**	71	**111**	71
Share options expensed during the year		**-**	111	**-**	111
Share options exercised during the year		**-**	(71)	**-**	(71)
Share options forfeited during the year		**-**	-	**-**	-
Balance of options reserve at end of year		**111**	111	**111**	111
Retained earnings					
Retained earnings at beginning of year		**13,353**	8,368	**13,794**	8,457
Profit attributable to members of the entity		**10,505**	7,204	**11,464**	7,556
Dividends paid during the year	19	**(3,569)**	(2,219)	**(3,569)**	(2,219)
Retained earnings at end of year		**20,289**	13,353	**21,689**	13,794
Profit (loss) attributable to minority interests		**-**	(7)		
Total equity at the end of the year		**92,941**	71,833	**94,341**	72,281

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

Statements of cash flows for the year ended 30 June 2009

	Notes	Consolidated 30 June 2009 $ (,000)	Consolidated 30 June 2008 $ (,000)	Parent entity 30 June 2009 $ (,000)	Parent entity 30 June 2008 $ (,000)
Cash flows related to operating activities					
Receipts from customers (inclusive of goods and services tax)		**61,375**	49,250	**53,361**	41,523
Payments to suppliers and employees (inclusive of goods and services tax)		**(34,876)**	(27,918)	**(33,104)**	(23,355)
		26,499	21,332	**20,257**	18,168
Income tax paid		**(2,522)**	(2,422)	**(2,522)**	(2,422)
Interests and other costs of finance paid		**(367)**	(1,782)	**(312)**	(1,782)
Interest received		**695**	266	**684**	266
Net operating cash flows	21c	**24,305**	17,394	**18,107**	14,230
Cash flows related to investing activities					
Loan to other entity		**(65)**	(1,750)	**(65)**	(1,750)
Payment for acquisition of investment in associate		**-**	(250)	**-**	(250)
Cash outflow attributable to discontinued operations		**(19)**	-	**-**	-
Proceeds from disposal of fixed assets		**9**	-	**9**	-
Payment for acquisition of subsidiaries		**-**	-	**-**	(400)
Payment for property, plant and equipment		**(54,186)**	(62,385)	**(17,231)**	(18,540)
Net investing cash flows		**(54,261)**	(64,385)	**(17,287)**	(20,940)
Cash flows related to financing activities					
Proceeds from issues of shares and other equity securities		**14,745**	26,225	**14,745**	26,225
Payment of capital raising costs		**(545)**	(956)	**(545)**	(956)
Proceeds from borrowings		**7,097**	47,087	**7,028**	47,000
Repayments of borrowings and finance lease principal		**(11,547)**	(11,014)	**(11,547)**	(11,014)
Advances from/(to) financial institutions to secure borrowings		**5,000**	(5,000)	**5,000**	(5,000)
Advances to controlled entity		**-**	-	**(26,939)**	(44,022)
Dividends paid	19a	**(3,569)**	(2,219)	**(3,569)**	(2,219)
Net financing cash flows		**11,181**	54,123	**(15,827)**	10,014
Net increase (decrease) in cash held		**(18,775)**	7,131	**(15,007)**	3,304
Cash and cash equivalents at beginning of year		**22,061**	14,930	**18,234**	14,930
Cash and cash equivalents at end of year	21a	**3,286**	22,061	**3,227**	18,234

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Note 1 Summary of significant accounting policies

This financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of PIPE Networks Limited and controlled entities, and PIPE Networks Limited as an individual parent entity. PIPE Networks Limited is a listed public company, incorporated and domiciled in Australia.

Australian Accounting standards set out accounting policies that the AASB has concluded would result in a financial report containing the relevant and reliable information about transactions, events and conditions. Compliance with Australian equivalents to International Financial Reporting standards (AIFRS) ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of financial report

The accounting policies set out below have been consistently applied to all years presented.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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

All amounts are presented in Australian Dollars. The functional currency of all companies in the consolidated group is Australian Dollars.

(b) Principles of consolidation

A controlled entity is any entity PIPE Networks Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in Note 30 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

The results of subsidiaries acquired and disposed during the financial year are included in the consolidated income statement from the effective date of acquisition up to the effective date of disposal as appropriate.

(c) Revenue recognition

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

> **(i) Revenue from Dark Fibre and Tele-housing services** is recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use/benefit derived from the leased asset is diminished. Installation/setup charges payable on commencement of the operating lease are recognised on commencement of the relevant service.

Note 1 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

(i) Revenue from Dark Fibre and Tele-housing services (continued)

Revenue from "incremental engineering costs to deliver capacity" associated with delivery of capacity on PPC-1 is recognised on a progressive basis when assessed against the milestones completed in the process of delivering capacity. The percentage of works completed to deliver capacity is applied directly to the fees invoiced to the customer and the resulting amount is recognised as revenue.

(ii) Other sales and services are recognised upon the acceptance of the service delivered to the customer or performance of works requested.

Irrevocable Right-to-use (IRU) contract revenue in relation to the PPC-1 cable system is recognised broadly as a finance lease arrangement. At the commencement of the contract term, assets held under a finance lease are recognised and presented as a receivable at an amount equal to the net investment in the lease. Given that IRU fees are generally received upfront at the commencement of the contract term, the net investment is generally equal to the IRU fees receivable under the contract. Revenue is recognised in the form of a selling profit on the commencement of the lease term. The selling profit is calculated as the IRU fee less the apportioned cost of constructing the PPC-1 cable system that is relevant to the individual IRU contract.

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

(d) Income Tax

Current tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The Company and its wholly owned Australian resident subsidiaries have elected to form a tax consolidated group, effective 1 July 2007.

Note 1 Summary of significant accounting policies (continued)

(d) Income Tax (continued)

Tax consolidation
PIPE Networks Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation or impairment losses.

(i) Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(ii) Depreciation

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

Plant and equipment	**3 – 7 years**
Fibre optic cable	**25 years**
Network equipment	**3 – 5 years**
Computer hardware software	**3 – 5 years**
Leasehold improvements	**5 years**

(f) Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Capital works-in-progress

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

Note 1 Summary of significant accounting policies (continued)

(h) Leases

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

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(i) Provisions

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

(j) Employee benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the terms of the maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

(iii) Superannuation plan

The company contributes to several defined benefit and defined contribution superannuation plans. Contributions are recognised as an expense as they are made.

(iv) Share-based payments

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

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Note 1 Summary of significant accounting policies (continued)

(l) Cash and cash equivalents

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

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

(m) Goods and services tax

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

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) 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 - Impairment
The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. 'Value in use' calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of plant and equipment for the year ended 30 June 2009.

(o) New accounting standards and interpretations

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these standards. A discussion of those future requirements and their impact on the Group is as follows:

AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group cannot be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;

Note 1 Summary of significant accounting policies (continued)

(o) New accounting standards and interpretations (continued)

- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- where there is, in substance, no change to Group interests, parent entities inserted above existing Groups shall measure the cost of its investments at the carrying amount of its share of the equity

AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.

AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.

AASB 2008-1: Amendments to Australian Accounting Standard — Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

Note 1 Summary of significant accounting policies (continued)

(o) New accounting standards and interpretations (continued)

The Group has also reviewed the following new, revised and amended standards and interpretations and concluded that they are not applicable to the Group or its operations:

- AASB 2008-2: Puttable Financial Instruments and Obligations Arising on Liquidation;
- AASB 2008-8: Eligible Hedged Items;
- AASB 2008-13: Distributions of Non-cash Assets to Owners;
- AASB Interpretation 15: Agreements for the Construction of Real Estate;
- AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation;

The financial report was authorised for issue on 24 August 2009 by the board of directors.

(p) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(q) Investments in associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where this is determined to be material to the financial position and performance of the consolidated entity. The equity method of accounting recognised the Group's share of post-acquisition reserves of its associates.

(r) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of all companies in the Group at 30 June 2009 is Australian dollars. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Note 1 Summary of significant accounting policies (continued)

(r) Foreign currency transactions and balances (continued)

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

(s) Net current asset deficiency

As at 30 June 2009, the consolidated entity has recorded a net current asset deficiency of $9.7 million. Included in current liabilities are prepaid revenue items (monies received in advance) of $13.3 million relating to customer contracts, of which $11.1 million 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.

(t) Reserves

Option Reserve
The option reserve records items recognised as expenses on valuation of employee share options.

Note 2 Revenue and expenses

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
(a) Operating activities:				
Lease income from Dark fibre operating leases	**40,089**	28,660	**39,286**	28,462
Lease income from Tele-housing operating leases	**5,771**	2,844	**5,578**	2,844
	45,860	31,504	**44,864**	31,306
Other sales and services	**3,807**	2,629	**3,362**	2,629
Rebate income	**13**	104	**13**	104
Total revenue	**49,680**	34,237	**48,239**	34,039
(b) Non-operating activities:				
Interest revenue	**695**	301	**684**	291
Other revenue	**48**	43	**47**	44
Other income	**743**	344	**731**	335

(c) Profit before tax for the year

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

	Consolidated 30 June 2009 $ (,000)	Consolidated 30 June 2008 $ (,000)	Parent entity 30 June 2009 $ (,000)	Parent entity 30 June 2008 $ (,000)
Bad and doubtful debts expense [1]	**489**	81	**489**	81
Operating lease rental expense	**604**	530	**549**	515
Bank service charges	**70**	71	**67**	70
Loss on foreign currency exchange (net of gains)	**272**	85	**(7)**	-
Travel	**789**	665	**575**	620
Staff amenities	**176**	232	**174**	232

[1] Please refer to note Note 4(a)(iii) for details on the movement in provision for doubtful debts for the period.

Note 3 Segment information

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.

(a) Segment revenue and results

	Revenue		Segment profit	
	2009 $(,000)	2008 $(,000)	2009 $(,000)	2008 $(,000)
Continuing operations:				
Domestic services	**48,319**	34,039	**15,634**	10,570
International services	**1,361**	198	**(1,101)**	(392)
	49,680	34,237	**14,533**	10,178
Profit before tax			**14,533**	10,178
Income tax expense			**(4,060)**	(2,943)
Profit for the year			**10,473**	7,235
Discontinued operations:				
International services	**1,089**	-	**(437)**	(38)
	1,089	-	**(437)**	(38)
Loss before tax from discontinued operations			**(437)**	(38)
Profit (loss) before tax attributable to minority interests			**81**	7
Profit on sale of discontinued operations			**387**	-
Net Profit (loss) for the year from discontinued operations			**31**	(31)

(b) Segment assets and liabilities

	Assets		Liabilities	
	2009 $(,000)	2008 $(,000)	2009 $(,000)	2008 $(,000)
Domestic services	**149,339**	126,320	**54,318**	53,958
International services	**81,575**	47,610	**83,261**	48,267
Total segment assets and liabilities	**230,914**	173,931	**137,580**	102,226
Intergroup eliminations	**(70,901)**	(44,211)	**(70,901)**	(44,211)
Unallocated assets and liabilities	**1,396**	773	**1,790**	645
Consolidated total assets and liabilities	**161,409**	130,493	**68,468**	58,660

(c) Other segment information

	Depreciation and amortisation		Capital expenditure	
	2009 $(,000)	2008 $(,000)	2009 $(,000)	2008 $(,000)
Domestic Services	**4,387**	2,937	**17,231**	18,539
International Services	**13**	-	**36,955**	43,846
Total	**4,400**	2,937	**54,186**	62,385

Note 3 Segment information (continued)

(d) Segment allocation policy

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

As disclosed in Note 17 to the financial statements, the Company disposed of its shareholding in Vocus Connect Pty Ltd during the year. The results relating to this entity, previously disclosed in the International Services segment, have been separated and reclassified.

Note 4 Trade and other receivables

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
(a) Current				
Trade receivables	**6,958**	3,238	**6,110**	3,238
Loan to other entity	**1,852**	-	**1,852**	-
Provision for impairment of receivables	**(371)**	(34)	**(371)**	(34)
	8,439	3,204	**7,591**	3,204

(i) The Company requires trade debtors to pay amounts due in accordance with agreed payment terms. Payment terms are generally 30 days from date of invoice. The Company's policy is to raise a provision against debts that have been outstanding for greater than 90 days at balance date.

(ii) There are no balances within trade and other receivables that contain assets that are not impaired and are past due. It is expected these balances will be received when due. Impaired assets are provided for in full.

(iii) Movement in provision for impairment of receivables

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Balance at the beginning of the year	**34**	6	**34**	6
Impairment losses recognised on receivables	**479**	34	**479**	34
Amounts written off as uncollectable	**(188)**	-	**(188)**	-
Impairment losses reversed	**46**	(6)	**46**	(6)
Balance at the end of the year	**371**	34	**371**	34
(iv) Ageing of past due but not impaired				
60 - 90 days	**31**	4	**25**	4
90 - 120 days	**41**	44	**32**	44
Total	**72**	47	**57**	47
(b) Non-current				
Loan to other entity [1]	**650**	1,787	**650**	1,787
Loans to wholly-owned subsidiaries [2]	**-**	-	**70,901**	44,211
	650	1,787	**71,551**	45,998

[1] During the prior period, the Company disposed of a subsidiary by way of a share sale agreement. The terms of the agreement included a three year payment period for the consideration payable on the shares.

[2] The Company loaned funds to its wholly-owned subsidiaries, Pipe International (Australia) Pty Ltd, PPC 1 Limited (Bermuda) and PPC 1 (US) Incorporated for the purpose of construction of an undersea cable system, PPC-1. The terms of the loan agreements have been agreed in principle and are in operation, however the agreements are yet to be formalised by way of executed loan agreements between companies within the Group.

Note 5 Other assets

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
(a) Current				
Accrued Income [1]	**4**	229	**4**	229
Deposits	**87**	157	**87**	157
Other assets	**105**	241	**36**	237
Prepayments [2]	**1,088**	1,363	**999**	1,115
	1,284	1,990	**1,126**	1,738
(b) Non-current				
Accrued Income [1]	**2,158**	1,224	**2,158**	1,224
Deposits	**547**	118	**327**	118
Other assets	**-**	-	**-**	-
	2,705	1,342	**2,485**	1,342

[1] Accrued income reflects customer contracts where the Company is providing a service and has earned revenue however it has not yet invoiced the customer due to a defined payment schedule in the contract.

[2] Prepayments are in relation to prepaid expenses which the Company expects to incur in the coming financial year.

Note 6 Financial assets

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)

(a) Available-for-sale financial assets

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments:

Unlisted investments, at cost				
Shares in controlled entities [1]	**-**	-	**-**	400
Shares in other corporation, at cost [2]	**250**	250	**250**	250
	250	250	**250**	650

[1] For details on controlled entities, please refer to Note 30.

[2] Shares in other corporation at cost represents the Company's investment in Vocus Group Limited. On 21 April 2008, the Company acquired 26.32% of the shares on issue in Vocus Group for $250,000. This investment has not been equity-accounted as at balance date as they are not material to the understanding of this financial report.

Fair value of available-for-sale financial assets

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required. No intention to dispose of any unlisted available-for-sale financial assets existed at 30 June 2009.

Note 7 Taxation

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Income tax expense				
(a) The components of income tax expense comprise:				
Current tax expense	**3,449**	2,585	**3,570**	2,527
Deferred tax	**611**	336	**663**	488
Adjustments for previous years	**-**	22	**-**	-
Total current income tax expense in income statement	**4,060**	2,943	**4,233**	3,015

(b) Numerical reconciliation of effective income tax rate:

The income tax expense for the period differs from the amount calculated on the profit. The differences are reconciled as follows:

	Consolidated 30 June 2009	Consolidated 30 June 2008	Parent entity 30 June 2009	Parent entity 30 June 2008
Profit from continuing operations	**14,533**	10,178	**15,699**	10,572
Profit from discontinued operations	**31**	(38)	**-**	**-**
	14,564	10,140	**15,699**	10,572
Income tax calculated at Australian tax rate of 30% (2008: 30%)	**4,369**	3,042	**4,710**	3,172
Tax effect of:				
- Non deductible expenses	**206**	47	**39**	12
- Effect of one-off bonus deduction per ATO Investment Allowance	**(315)**	-	**(315)**	-
- Costs associated with raising capital	**(200)**	(168)	**(200)**	(168)
Income tax attributable to entity	**4,060**	2,921	**4,233**	3,015
Adjustment for prior year underprovision	**-**	22	**-**	-
Income tax expense at effective tax rate of 28% (2008: 29%)	**4,060**	2,943	**4,233**	3,015

Note 8 Deferred tax assets

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
(a) Deferred tax assets comprise temporary differences attributable to:				
Amounts recognised in profit and loss:				
Provisions	**288**	124	**282**	118
Expenses claimed on Finance leases	**2**	1	**2**	1
Interest expense on Commercial Bills	**-**		**-**	-
Non-deductible consultancy and professional fees	**33**	33	**-**	-
Tax losses	**646**	153	**-**	-
	969	311	**284**	119
Amounts recognised directly in equity:				
Transaction costs on equity issue	**427**	462	**426**	462
	1,396	773	**710**	581

Note 8 Deferred tax assets (continued)

(b) The movement in deferred tax asset for each temporary difference during the year is as follows:

Consolidated	Closing Balance 2007 $ (,000)	Charged to the income statement 2008 $ (,000)	Closing Balance 2008 $ (,000)	Charged to the income statement 2009 $ (,000)	Closing Balance 2009 $ (,000)
Provision for doubtful debts	3	8	11	101	112
Provision for accrued annual leave	62	23	85	54	139
Provision for accrued long service leave	11	7	18	14	32
Accrued Superannuation	-	-	-	3	3
Accrued fringe benefits tax	14	(4)	10	(7)	3
Expenses claimed on finance leases	-	1	1	1	2
Interest expense on comercial bills	-	-	-	-	-
Non-deductible consultancy and professional fees	-	33	33	-	33
Carried forward taxation revenue losses	38	115	153	493	646
	128	183	311	659	970
Capital raising costs	343	119	462	(36)	426
	471	302	773	623	1,396

Parent	Closing Balance 2007 $ (,000)	Charged to the income statement 2008 $ (,000)	Closing Balance 2008 $ (,000)	Charged to the income statement 2009 $ (,000)	Closing Balance 2009 $ (,000)
Provision for doubtful debts	3	8	11	101	112
Provision for accrued annual leave	62	17	79	54	133
Provision for accrued long service leave	11	6	17	14	31
Accrued Superannuation	-	-	-	3	3
Accrued fringe benefits tax	14	(4)	10	(7)	3
Expenses claimed on finance leases	-	1	1	1	2
Interest expense on comercial bills	-	-	-	-	-
	90	28	118	166	284
Capital raising costs	343	119	462	(36)	426
	433	147	580	130	710

Note 9 Deferred tax liabilities

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
(a) Deferred tax liabilities comprise temporary differences attributable to:				
Accrued Income	662	262	420	262
Capitalised employee benefits	227	150	131	131
Capitalised interest expense	798	214	798	213
Tax deductions related to capitalised borrowing costs	90	18	90	18
Tax deductions related to finance leases	13	1	13	1
	1,790	645	1,452	625

(b) The movement in deferred tax liabilities for each temporary difference during the year is as follows:

Consolidated	Closing Balance 2007 $ (,000)	Charged to the income statement 2008 $ (,000)	Closing Balance 2008 $ (,000)	Charged to the income statement 2009 $ (,000)	Closing Balance 2009 $ (,000)
Accrued income	70	192	262	400	662
Capitalised employee benefits	98	52	150	77	227
Capitalised interest expense	-	213	214	584	798
Tax deductions related to capitalised borrowing costs	-	18	18	72	90
Finance leases	2	(1)	1	12	13
	170	474	645	1,145	1,790

Parent	Closing Balance 2007 $ (,000)	Charged to the income statement 2008 $ (,000)	Closing Balance 2008 $ (,000)	Charged to the income statement 2009 $ (,000)	Closing Balance 2009 $ (,000)
Accrued income	70	192	262	158	420
Capitalised employee benefits	98	33	131	-	131
Capitalised interest expense	-	213	213	585	798
Tax deductions related to capitalised borrowing costs	-	18	18	72	90
Finance leases	2	(1)	1	12	13
	170	455	625	827	1,452

Note 10 Provision for income tax

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
(a) Current tax liabilities				
Provision for income tax	**762**	608	**705**	550

Note 11 Property, plant & equipment

(a) Property, plant & equipment

	Note	Consolidated		Parent entity	
		30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Leasehold improvements – at cost		**2,600**	1,033	**2,600**	1,033
Less: Accumulated amortisation		**(576)**	(303)	**(576)**	(303)
		2,024	730	**2,024**	730
Plant and equipment - at cost		**6,612**	3,839	**6,579**	3,839
Less: Accumulated depreciation		**(1,958)**	(1,054)	**(1,954)**	(1,054)
		4,654	2,785	**4,625**	2,785
Optic fibre cable – at cost		**51,902**	38,790	**51,902**	38,790
Less: Accumulated depreciation		**(4,544)**	(2,611)	**(4,545)**	(2,611)
		47,358	36,179	**47,357**	36,179
Network equipment – at cost		**4,223**	3,422	**4,207**	3,264
Less: Accumulated depreciation		**(2,031)**	(1,178)	**(2,029)**	(1,173)
		2,192	2,244	**2,178**	2,091
Computer software – at cost		**748**	483	**737**	474
Less: Accumulated depreciation		**(492)**	(329)	**(489)**	(329)
		256	154	**248**	145
Computer hardware – at cost		**1,038**	786	**1,016**	775
Less: Accumulated depreciation		**(592)**	(384)	**(587)**	(384)
		446	401	**429**	391
Leased motor vehicles – at cost		**85**	78	**85**	78
Less: Accumulated depreciation		**(24)**	(23)	**(24)**	(23)
		61	55	**61**	55
Other Assets – at cost		**5**	5	**5**	**5**
Less: Accumulated depreciation		**-**	-	**-**	-
		5	5	**5**	5
Capital works-in-progress	11c	**86,403**	51,533	**6,115**	7,803
Total Property, plant and equipment		**143,399**	94,087	**63,042**	50,184

(b) Capitalised borrowing costs

Borrowings costs directly attributable to the construction of the PPC-1 cable system were capitalised during the period as follows:

	Consolidated		Parent	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Borrowings costs attributable to the construction of a qualifying asset	**2,500**	895	**-**	-

Note 11 Property, plant & equipment (continued)

(c) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current period are set out below:

Consolidated	Leasehold Improve-ments $ (,000)	Plant & Equipment $ (,000)	Fibre Optic Cable $ (,000)	Network Equipment $ (,000)	Computer Software $ (,000)	Computer Hardware $ (,000)	Leased Motor Vehicles $ (,000)	Other Assets $ (,000)	Capital Works-in-Progress $ (,000)	Total $ (,000)
Year ended 30 June 2009										
At 1 July 2008, net of accumulated depreciation	730	2,785	36,179	2,244	154	401	55	5	51,533	94,086
Additions	151	753	1,125	971	266	86	28	-	50,559	53,939
Disposals [1]	-	-	-	(165)		(1)	(21)	-	(98)	(285)
Transfers	1,416	2,020	11,987	-		167			(15,590)	-
Depreciation/Amortisation expense for current period	(273)	(904)	(1,933)	(858)	(164)	(207)	(1)	-	-	(4,340)
At 30 June 2008, net of accumulated depreciation	2,024	4,654	47,358	2,192	256	446	61	5	86,404	143,400

Parent entity	Leasehold Improve-ments $ (,000)	Plant & Equipment $ (,000)	Fibre Optic Cable $ (,000)	Network Equipment $ (,000)	Computer Software $ (,000)	Computer Hardware $ (,000)	Leased Motor Vehicles $ (,000)	Other Assets $ (,000)	Capital Works-in-Progress $ (,000)	Total $ (,000)
Year ended 30 June 2009										
At 1 July 2008, net of accumulated depreciation	730	2,785	36,179	2,091	145	390	55	5	7,804	50,184
Additions	151	721	1,125	955	263	75	28	-	13,999	17,318
Disposals	-	-	-	(12)	-	-	(21)	-	(98)	(132)
Transfers	1,416	2,020	11,987	-	-	167		-	(15,590)	-
Depreciation/Amortisation expense for current period	(273)	(901)	(1,933)	(856)	(160)	(203)	(1)	-	-	(4,328)
At 30 June 2009, net of accumulated depreciation	2,024	4,625	47,357	2,178	248	429	61	5	6,115	63,042

[1] For disposals by the Group during the period, $153,000 net book value of network equipment related to the discontinued operations (Note 17).

(d) Non-current assets pledged as security

ANZ Banking Group Limited (ANZ) holds a fixed and floating charge over the non-current assets of the Company in accordance with the security arrangements of the Company's debt facility with them. ANZ does not have the right to sell or repledge the assets other than in an event of default. For further details on the Company's debt facility, please refer to Note 24 Financing arrangements.

The Group does not hold title to the motor vehicles under finance lease pledged as security.

Note 11 Property, plant & equipment (continued)

(e) Assets in the course of construction (capital works-in-progress relating to PPC-1)

Capital works-in-progress assets carried at $86.4m as per Note 11 for the consolidated entity relate primarily to construction of PPC-1, an undersea fibre optic cable system and related landing stations linking Sydney with Guam over a total distance of approximately 6,900km.

The carrying value of these assets is based on final construction and expected future operations of the asset. While the Board is confident that the carrying value expressed in the accounts is fair, it should be noted that there are inherent risks associated with large and complex projects of this nature and that readers of this report should consider the following risks:

Construction risks
As with any large project, various factors within and outside the Company's control may delay physical construction or place at risk the final commissioning of the revenue generating asset. To minimise risks associated with project management and supply that may impact construction, the Board has employed dedicated personnel and contracted with suppliers and advisors who have a demonstrated background of successful completion of such projects. Examples of factors outside the control of the Company and its suppliers may include but are not limited to adverse weather events, seismic activity and acts of terrorism or war. Examples of factors within the management control of the Company and its suppliers may include but are not limited to, equipment failures and breakdowns, delays to supply of materials, geological variations to surveys and human resource availability. The Board has taken further steps through contractual terms to limit residual financial exposure from construction delays or potential failure to complete the project. A due diligence process has been conducted and presented to the Board to review exposures to this risk area.

Regulatory risks
International fibre cables operate within complex multiple territorial and legal jurisdictions and as such require the approval of regulators and compliance with legal, taxation and other laws within those jurisdictions. Permits are required to construct, own and operate this asset in various jurisdictions. With the assistance of professional advisors, the Board has identified ten key permits required to operate the system with nine already approved and the remaining one being in final stages of settlement and ahead of schedule. The Board has received advice from various qualified parties on compliance with taxation and statutory reporting requirements in each jurisdiction and continues to seek advice as required. Permitting has been included in the construction risk due diligence process. A due diligence process has been conducted on the accounting and taxation compliance advice.

Revenue risks
Current funding of construction, future operations and valuations of the cable system rely on the Company’s ability to derive revenue from the asset. Revenue is derived from the sale of "capacity", being the right to transmit and receive data at a particular "bandwidth" between two points over the network for a period of time, usually greater than ten years. The Company has already secured a number of sales that will derive revenue upon completion of the cable system. These sales and equity investment in PPC-1 are expected to cover the construction costs of the submarine cable system. The Company has commissioned independent market analysis to review the potential future growth of bandwidth requirements for international data transit to and from Australia in support of projected future sales. This research supports internal Company projections supplied to the Board.

Financing risk
The construction of an international cable system linking sites 6,900kms apart is a major undertaking requiring significant financial support. The Board has reviewed and continues to consider the mix of funding sources from internal cash generation, capital injection and external debt funding.

To forecast funding requirements, the Company has developed cash flow models and considered scenarios for potential financial impacts of the construction, regulatory and revenue risk factors. To reduce risk and uncertainty the Company has entered into fixed price contracts which incorporate variations to payment timing and supplier penalties for delays and failure to provide the system.

Note 12 Trade and other payables

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Current				
Trade payables	**6,640**	5,969	**5,452**	5,499
	6,640	5,969	**5,452**	5,499

Trade creditors are unsecured non-interest bearing liabilities, typically settled within the Companys standard 30 day terms.

Note 13 Borrowings

	Note	Consolidated		Parent entity	
		30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
(a) Current	24a				
Unsecured Liabilities					
Advances from other corporations		**-**	86	**-**	-
Obligations under finance leases		**10**	47	**10**	47
		10	133	**10**	47
(b) Non-current	24a				
Secured Liabilities					
Multi-option facility (commercial bill-face value) [1]		**38,500**	43,000	**38,500**	43,000
Unsecured Liabilities					
Obligations under finance leases		**18**	-	**18**	-
		38,518	43,000	**38,518**	43,000

[1] The Company's multi-option debt facility is secured by a fixed and floating charge of the assets of the Company. Banking covenants incorporated into the facility are: Interest cover ratio, Debt to EBITBA ratio and Debt to market capitalisation ratio. At balance date the Company was operating within its covenants and the directors had no reason to believe it would not continue to do so. Refer to Note 24 for details on maturity and effective interest rates on the facility.

Note 14 Prepaid revenue

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
(a) Current				
Prepaid revenue [1]	**13,328**	2,878	**2,193**	1,099
Total current prepaid revenue	**13,328**	2,878	**2,193**	1,099
(b) Non-current				
Prepaid revenue [1]	**5,343**	4,698	**5,343**	2,722
Total non-current prepaid revenue	**5,343**	4,698	**5,343**	2,722

[1] Substantial increases in prepaid revenue were recorded during the period as the Group received revenue in advance on its undersea cable system (PPC-1), in addition to revenues received in advance on Dark Fibre and Telehousing operating leases. Prepaid revenues are recognised on the provision of the service over the lease or service agreement term.

Note 15 Accrued expenses

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Current				
Accrued expenses and other sundry payables	**1,537**	417	**1,427**	729
Total accrued expenses and other sundry payables	**1,537**	417	**1,427**	729

Note 16 Provision for employee benefits

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Aggregate liability for employee benefits including on-costs:				
(a) Current				
Employee benefits provision	**437**	257	**437**	257
(b) Non current				
Employee benefits provision [1]	**103**	55	**103**	55
Total employee benefits	**540**	312	**540**	312
Employee numbers	**Number**	**Number**	**Number**	**Number**
Number of employees as at reporting date	**83**	73	**78**	67

[1] A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. Movement in the current period is due to additional provisions being raised; there is no current entitlement to long service leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1 of the financial report.

Note 17 Discontinued operations

On 19 February 2009, the Company disposed of its direct shareholding in Vocus Connect Pty Ltd by way of a share sale agreement with Vocus Group Ltd.

The financial performance of the discontinued operation to the date of disposal which is included in the profit/(loss) from discontinued operations per the income statement is as follows:

	Consolidated	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Profit for the year from discontinued operations:		
Revenue	**1,089**	-
Expenses	**(1,526)**	(38)
Profit (loss) attributable to discontinued operations	**(437)**	(38)
Loss (profit) attributable to minority interest	**81**	7
	(356)	(31)
Profit on sale of discontinued operations	**387**	-
Total profit attributable to discontinued operations	**31**	(31)
Cash flows from discontinued operations:		
Net cash flows from operating activities	**(121)**	(327)
Net cash flows from investing activities	**(186)**	(158)
Net cash flows from financing activities	**319**	487
Net cash flows	**12**	2

Note 18 Issued capital

	30 June 2009 Number	30 June 2009 $(,000)	30 June 2008 Number	30 June 2008 $(,000)
(a) Share Capital				
Fully paid ordinary shares	56,254,651	72,541	50,988,297	58,376

(b) Movements in ordinary share capital:

Date	Category of securities	Number quoted	Issue price per security $	Total $ (,000)
30-Jun-08	Balance	50,988,297		58,376
19-Feb-09	Share placement [1]	3,500,000	2.80	9,800
20-Mar-09	Share Purchase Plan [2]	1,766,354	2.80	4,945
	Less transaction cost on shares issues issued during the year			(545)
	Less related income tax			(35)
30-Jun-09	Closing Balance	56,254,651		72,541

[1] The Company placed 3,500,000 ordinary shares at an issue price of $2.80 each with sophisticated institutional investors on 19 February 2009 as per the announcement to market on 13 February 2009.

[2] The Company offered existing Australia and New Zealand shareholders the opportunity to participate in a Share Purchase Plan as per the announcement to market on 13 February 2009.

(c) Ordinary shares

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

(d) Options

For information relating to share options issued under the ESOP including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to Note 28.

Note 19 Dividends

	Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)
(a) Ordinary shares		
Fully franked final dividend for the year ended 30 June 2008 · 7 cents per share (2007 - 5.0 cents per share)	**3,569**	2,219
Total dividends paid	**3,569**	2,219

(b) Dividends not recognised at year end

In addition to the above dividends, since year end the Directors have declared a final fully-franked dividend of 8 cents per fully paid share (2008 - 7.0 cents) payable on 20 November 2009 to shareholders registered as at 5:00pm on 6 November 2009. The aggregate amount of the proposed dividend expected to be paid on 20 November 2009 out of retained profits at 30 June 2009, but not recognised as a liability, is:

Declared dividends for year ending 30 June 2009 not recognised at year end	**4,500**	3,569

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2009 and will be recognised in subsequent financial reports.

The impact on the dividend franking account of dividends declared after the balance date, but not recognised as a liability is to reduce available franking credits by $1,928,731 (2008 - $1,529,649)

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Franking credits available to subsequent financial years based on a tax rate of 30% (2008: 30%) [1]	**5,592**	4,491	**5,592**	4,491

[1] The above amount represents the balance on the franking account at the end of the financial year adjusted for:
(a) franking credits that will arise from the payment of the current tax liability
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date
(d) franking credits that may be prevented from being distributed in subsequent financial years.

(c) Dividend reinvestment plan

Due to strong shareholder demand, the Board decided to offer a Dividend Reinvestment Plan (DRP) that will allow the Company to pursue its core business and maintain the strength and flexibility of its balance sheet. This offer was announced to market on 25 June 2009.

The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares in the Company without transaction costs at a 7.5 per cent discount to the prevailing market price.

Note 20 Remuneration of auditors

	Consolidated		Parent entity	
	30 June 2009 $	30 June 2008 $	30 June 2009 $	30 June 2008 $
Remuneration of Hacketts DFK for assurance services:				
Audit Services				
Audit and review of financial reports and other audit work under the Corporations Act 2001	**89,000**	73,900	**89,000**	73,900
Non-audit assurance services				
Audit of regulatory returns	**-**	2,000	**-**	2,000
Review of internal document handling systems	**-**	46,750	**-**	46,750
Total remuneration for assurance services	**89,000**	122,650	**89,000**	122,650
Remuneration of Hacketts Chartered Accountants for other services:				
Other services				
Taxation services	**2,475**	7,159	**2,475**	7,159

Note 21 Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Cash on hand and at bank	**3,286**	22,061	**3,227**	18,234
Total cash and cash equivalents at the end of year	**3,286**	22,061	**3,227**	18,234
Balances per statement of cash flows	**3,286**	22,061	**3,227**	18,234

(b) Term deposits not available for use

Term deposits - secured	**-**	5,000	**-**	5,000
	-	5,000	**-**	5,000

(c) Reconciliation of profit after income tax to net cash inflow from operating activities

Net profit after income tax	**10,504**	7,204	**11,464**	7,556
Add non-cash flows in profit and loss:				
(Gain) loss on sale of discontinued operations	**(31)**	-	**-**	-
Share-based payments	**-**	111	**-**	111
Assets disposed at no consideration	**-**	-	**-**	1
Depreciation and amortisation	**4,400**	2,937	**4,387**	2,937
Security and other deposits	**(210)**	(31)	**(205)**	36
Change in assets and liabilities net of effects from disposal of discontinued operations:				
Decrease (increase) in trade debtors and other assets	**(3,304)**	900	**(3,264)**	1,155
Increase (decrease) in trade creditors and other payables	**12,894**	6,082	**5,135**	2,169
Increase (decrease) in other provisions	**556**	116	**565**	94
Increase (decrease) in income tax payable	**154**	257	**154**	199
(Increase) decrease in deferred tax asset	**(658)**	(182)	**(129)**	(28)
Net cash inflow from operating activities	**24,305**	17,394	**18,107**	14,230

Note 21 Notes to the cash flow statement (continued)

(d) Non-cash financing and investing activities

During the period, the Group acquired a motor vehicle under a finance lease. This acquisition will be reflected in the cash flow statement over the term of the lease via lease repayments.

(e) Financing facilities

Please refer to Note 24 Financing arrangements for details of debt facilities available to the Group.

Note 22 Contingent assets and liabilities

PPC 1 Supply contract

In January 2008, PPC 1 (Bermuda) Limited ("PPC-1"), a special purpose vehicle that is wholly-owned by PIPE International (Australia) Pty Ltd, entered into a supply agreement for the contruction of an international submarine cable system between Australia and Guam. PPC-1 has a number of obligations under the agreement including permitting, landing station access and facilities and meeting billing milestones. A contingent asset or liability may arise if the terms and conditions of this agreement are breached by either party.

In February 2009, PIPE International (and related companies) finalised contract variations to align customer payments to supplier billing milestones under the PPC-1 supply contract.

The Board notes that while the project financing process seeking AUD$100M in funding was terminated in December 2008, the current external funding requirement is significantly reduced due to the alignment of billing milestones with customer payments, tighter project cost controls and strong cashflows from domestic operations.

The Board has reviewed and continue to consider the mix of funding sources such as internal cash generation, capital injection and external debt funding for payment of the final billing milestones in FY10 and FY11. The Company will keep the market informed on the funding requirement in accordance with its continous disclosure obligations.

Guarantees

The Company operates an Indemnity & Guarantee facility with ANZ Banking Group Limited in respect of its liabilities under any non-cancellable operating leases and various supplier agreement it has entered into as disclosed in Note 23(b). The balance of this facility at 30 June 2009 is **$2,918,424** (2008 - $1,029,419).

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 23 Commitments for expenditure

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	**30 June 2008 $ (,000)**	**30 June 2009 $ (,000)**	**30 June 2008 $ (,000)**
(a) Capital commitments:				
Commitments for the construction of revenue generating assets contracted for at 30 June 2009 but not recognised as a liability, payable [1]:				
Within one year	**73,945**	81,995	**728**	6,059
Later than one year but less then five years	**17,138**	18,329	**-**	-
Later than five years	**-**	-	**-**	
	91,083	100,324	**728**	6,059

[1] Capital commitments include amounts payable in USD under the PPC-1 Supply Agreement, converted at period end exchange rates. These amounts are therefore approximates only and actual amounts paid will be subject to spot rates at payment date.

Note 23 Commitments for expenditure (continued)

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
(b) Lease commitments				
Commitments in relation to leases contracted for at the reporting date, payable:				
(i) Operating leases [1]				
Within one year	**4,088**	1,669	**4,088**	1,669
Later than one year but less than five years	**16,535**	20,979	**16,535**	8,226
Later than five years	**20,028**	1,287	**20,028**	1,287
	40,651	23,935	**40,651**	11,182

[1] Operating leases relate to building leases and telecommunication services agreements with lease terms between 3 and 10 years, generally with an option to renew for a further term. All operating lease contracts contain market review clauses in the event that the Company exercises its option to renew.

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
(ii) Finance leases [2]				
Within one year	**11**	49	**11**	49
Later than one year but less than five years	**20**	-	**20**	-
Later than five years	**-**		**-**	
	31	49	**31**	49
Less: future finance charges	**(3)**	(2)	**(3)**	(2)
	28	47	**28**	47

[2] Finance leases relate to leased motor vehicles with a lease term of 3 years. The Company has options to purchase the equipment for a balloon payment at the conclusion of the lease agreements. The Company's obligation under finance leases are secured by the lessor's title to the lease assets.

Note 24 Financing arrangements

The Group has access to the following credit facilities:

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Multi-option facility (Commercial bill):				
- used	**38,500**	43,000	**38,500**	43,000
- unused	**1,500**	2,000	**1,500**	2,000
	40,000	45,000	**40,000**	45,000
Multi-option facility (Lease/hire purchase):				
- used	**28**	47	**28**	47
- unused	**72**	53	**72**	53
	100	100	**100**	100
Indemnity guarantee facility:				
- used	**1,855**	1,029	**1,846**	1,029
- unused	**1,145**	31	**1,154**	31
	3,000	1,060	**3,000**	1,060

The Group has access to the financing facilities at reporting date as indicated above. The terms of the facility are summarised as follows:

(i) The multi-option facility is secured with a fixed and floating charge over the assets of the Company.

(ii) The interest rate on the facility is linked to BBSY.

(iii) The facility is reviewed annually and has a 1.5 year term maturing in August 2010 and may be extended by mutual agreement.

(iv) Banking covenants incorporated into the facility are: Interest cover ratio, Debt to EBITBA ratio and Debt to market capitalisation ratio. At balance date the Company was operating well within its covenants and the Directors had no reason to believe it would not continue to do so.

Note 25 Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt equity balance.

The capital structure of the Group consists of debt, which includes borrowing disclosed in Note 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 21 and 18 respectively.

The Group now operates internationally, primarily thorugh subsidiary companies established in various foreign jurdisdictions. At this time none of the Group's entities are subject to externally imposed capital requirments.

The Group's overall strategy remains unchanged from FY08 and conforms to the stated investment philosophy on cash return on any investment opportunity. Debt or additional equity raised is used to fund construction of revenue enhancing assets with cash payback periods normally less than two years from commissioning. Operating cash flows are used to maintain and expand the Group's assets as well as to make routine outflows of tax, dividends and repayment of maturing debt.

The Group's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities to meet anticipated funding requirements.

(i) Gearing ratio

The Board of directors considers the capital structure of the Company on a regular basis taking into account new investment opportunities, prevailing market conditions and industry norms. As part of this review the Board considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 30-40% that is determined as the proportion of net debt to equity. The Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at year end was as follows:

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Financial assets				
Debt [1]	**38,528**	43,133	**38,528**	43,047
Cash and cash equivalents	**(3,286)**	(22,061)	**(3,227)**	(18,234)
Net debt	**35,242**	21,072	**35,301**	24,812
Equity [2]	**92,941**	71,833	**94,341**	72,281
Net debt to equity ratio	**38%**	29%	**37%**	34%

[1] Debt is defined as long- and short-term borrowings, as detailed in Note 13.

[2] Equity includes all capital and reserves.

(b) Financial Risk Management

The Group's corporate treasury function provides services to all members of the Group and monitors and manages the financial risks relating to the operations of the Group.

The Group’s financial instruments consist mainly of deposits with banks (including foreign currency accounts), local money market instruments, short-term investments, accounts receivable and payable. The parent company also has loans receivable from subsidiaries and loans receivable from other entities.

The main risks the Group is exposed to through its financial instruments are interest rate risk, credit risk and currency risk. A discussion on how these risks are managed by the entity is listed below.

Note 25 Financial instruments (continued)

(b) Financial Risk Management (continued)

(i) Categories of financial instruments

	Consolidated		Parent entity	
	30 June 2009 $ (,000)	30 June 2008 $ (,000)	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Financial assets				
Fair value through profit or loss (FVTPL):				
Held for trading	-	-	-	-
Designated as at FVTPL [1]	-	-	-	-
Derivative instruments in designated hedge accounting relationships	-	-	-	-
Held -to-maturity investments	-	-	-	-
Trade and other receivables	**8,439**	3,204	**7,591**	3,204
Cash and cash equivalents	**3,286**	22,061	**3,227**	18,234
Term deposits - secured	**-**	5,000	**-**	5,000
Available-for-sale financial assets	**250**	250	**250**	650
Loans and receivables	**650**	1,787	**71,551**	45,998
Financial liabilities				
Fair value through profit or loss (FVTPL):				
Held for trading	**-**	-	**-**	-
Designated as at FVTPL [2]	**-**	-	**-**	-
Derivative instruments in designated hedge accounting relationships	**-**	-	**-**	-
Secured multi-option credit facility	**(38,500)**	(43,000)	**(38,500)**	(43,000)
Amortised cost	**(28)**	(47)	**(28)**	(47)
Financial guarantee contracts	-	-	**-**	-

[1] At balance date, the consolidated entity had no loans or receivables designated as at 'fair value through profit or loss'.

[2] As balance date, the consolidated entity had no financial liabilities designated as at 'fair value through profit or loss'.

(ii) Interest rate risk

The consolidated and parent entity are exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The floating interest rate on borrowings is linked to BBSY through the Parent's debt facility.

The consolidated group’s exposure to interest rate risk, which is the risk that a financial instrument’s value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Consolidated		
Financial Instruments	Effective interest rate %	In one year or less $ (,000)	Greater then 1 year but less then 5 years $ (,000)
30 June 2009 - Floating rate			
Financial Assets			
Cash and cash equivalents	**4.45%**	**3,286**	**-**
Loans and receivables	**7.50%**	**1,853**	**-**
Financial Liabilities			
Secured mult-option credit facility	**4.59%**	**-**	**(38,500)**
Finance leases	**7.32%**	**(10)**	**(18)**
		5,129	**(38,518)**

Note 25 Financial instruments (continued)

(b) Financial Risk Management (continued)

(ii) Interest rate risk (continued)

Financial Instruments	Consolidated		
	Effective interest rate	In one year or less	Greater then 1 year but less then 5 years
	%	$ (,000)	$ (,000)
30 June 2008 - Floating rate			
Financial Assets			
Cash and cash equivalents	6.02%	22,061	-
Other deposits	7.56%	5,000	-
Loans and receivables	7.50%	-	1,787
Financial Liabilities			
Secured mult-option credit facility	8.16%	-	(43,000)
Finance leases	8.12%	(47)	-
		27,014	(41,213)

Financial Instruments	Parent		
	Effective interest rate	In one year or less	Greater then 1 year but less then 5 years
	%	$ (,000)	$ (,000)
30 June 2009 - Floating rate			
Financial Assets			
Cash and cash equivalents	**4.97%**	**3,227**	**-**
Loans and receivables	**7.50%**	**1,853**	
Financial Liabilities			
Secured mult-option credit facility	**4.59%**	**-**	**(38,500)**
Finance leases	**7.32%**	**(10)**	**(18)**
		5,070	**(38,518)**
30 June 2008 - Floating rate			
Financial Assets			
Cash and cash equivalents	6.02%	18,234	-
Other deposits	7.56%	5,000	-
Loans and receivables	6.29%	-	45,998
Financial Liabilities			
Secured mult-option credit facility	8.16%	-	(43,000)
Finance leases	8.12%	(47)	-
		23,187	2,998

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant through out the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if the interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- net profit before tax would decrease by $210,664 if interest rates were 50 basis points higher
- net profit before tax would increase by $210,664 if interest rates were 50 basis points lower

This is attributable to the Group's exposure to interest rates on its commercial bill borrowings.

Note 25 Financial instruments (continued)

(c) Non-interest bearing financial instruments

Financial Instruments	Consolidated	
	In one year or less	Greater than 1 year but less than 5 years
	$ (,000)	$ (,000)
30 June 2009 - Non-interest bearing		
Financial assets		
Trade & other receivables	**7,237**	**-**
Deposits	**87**	**546**
Financial liabilities		
Trade payables	**(6,640)**	**-**
Accrued expenses & other sundry payables	**(1,537)**	**-**
	(853)	**546**
30 June 2008 - Non-interest bearing		
Financial assets		
Trade & other receivables	3,204	-
Deposits	157	-
Financial liabilities		
Trade payables	(5,969)	-
Accrued expenses & other sundry payables	(417)	-
	(3,025)	-

Financial Instruments	Parent	
	In one year or less	Greater than 1 year but less than 5 years
	$ (,000)	$ (,000)
30 June 2009 - Non-interest bearing		
Financial assets		
Trade & other receivables	**6,389**	**-**
Deposits	**87**	**326**
Financial liabilities		
Trade payables	**(5,452)**	**-**
Accrued expenses & other sundry payables	**(1,427)**	**-**
	(403)	**326**
30 June 2008 - Non-interest bearing		
Financial assets		
Trade & other receivables	3,204	-
Deposits	90	-
Other Assets	-	
Financial liabilities		
Trade payables	(5,499)	-
Accrued expenses & other sundry payables	(729)	-
	(2,934)	-

Note 25 Financial instruments (continued)

(d) Credit Risk Exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only extending terms to credit worthy counterparties. A counterparty's credit worthiness is assessed by evaluating information obtained through independent credit reporting agencies where available and where not available, through trade references and publicly available financial information.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of the accounts receivable.

The maximum exposure to credit risk excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

(e) Collateral

During the the year ended 30 June 2008, the Parent entered into an agreement to lend funds at a fixed rate of interest to a borrower. To secure the borrowings, the Parent registered a fixed and floating charge over the assets purchased by the borrower using the loaned funds. Repayment of the loan is required in full by 30 June 2010 at which point it is expected the charge will be discharged.

(f) Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies primarily due to its undersea cable project, PPC-1. These transactions expose the Group to foreign currency exchange rate fluctuations.

To minimise the impact of currency fluctuations, the Group entered into a fixed price construction contract for the construction of PPC-1 denominated in US dollars. In addition to this, contracts for the sale of services on PPC-1 are denominated in USD, eliminating the need for the Group to convert currency to USD and thereby reducing the impact of foreign currency fluctuations. The Group continues to evaluate the risks associated with foreign currency fluctuations and implement strategies to minimise this impact.

Foreign currency sensitivity analysis

The Group's primary material exposure is to US dollars (USD). The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar (AUD) against the USD. The sensitivity analysis includes only outstanding foreign curreny denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit (or a decrease in loss) where the AUD weakens against the respective currency. A negative number indicates a decrease in profit (or an increase in loss) where the AUD strengthens against the USD.

	US Dollar Impact			
	Consolidated		**Parent**	
	2009	**2008**	**2009**	**2008**
	$ (,000)	**$ (,000)**	**$ (,000)**	**$ (,000)**
10% increase in AUD to USD rate	**(36)**	(178)	-	-
10% decrease in AUD to USD rate	**40**	583	-	-

(g) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by regularly monitoring forecast and actual cash flows. Included in Note 24 is a listing of additional undrawn facilities that the Group/Company has at its disposal to further reduce liquidity risk. The Parent's debt facility expires in August 2010 with debt issued in the form of rolling commercial bills with maturity period ranging from 30 to 120 days.

The table in Note 25(b) details the company's and the Group's remaing contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes principal cash flows only, as under the existing debt facilities interest is prepaid when entering into the multi-option credit facility.

Note 25 Financial instruments (continued)

(h) Net fair values

The net fair values of:

- unlisted investments where there is no organised financial market has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.
- cash, cash equivalents and non-interest bearing monetary financial assets and liabilities approximate their carrying value.

Note 26 Key management personnel

(a) Key management personnel

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key management personnel

Directors	***Position***
Roger Clarke	Chairman and non-executive director
Greg Baynton	Non-executive director
Lloyd Ernst	Non-executive director [*resignation effective 27 October 2008*]
Stephen Baxter	Non-executive director
Bevan Slattery	Managing Director (executive) and Chief Executive Officer
Jason Sinclair	Executive director and Chief Operating Officer

Group executives	***Position***
Malcolm Thompson	Company Secretary & Chief Financial Officer [*resignation effective 28 February 2009*]
Louise Bolger	Company Secretary & General Counsel
Brett Worrall	Chief Operating Officer - PIPE International (Australia) Pty Ltd
Matt Hollis	General Manager, Corporate & Strategy [*commenced 19 November 2009*]
Warwick Pye	General Manager Sales [*resignation effective 29 August 2008*]
Tobias Carlisle	General Manager Corporate & Regulatory – PIPE International (Australia) Pty Ltd [*resignation effective 22 August 2008*]
Mark Pawsey	General Manager, Corporate & Strategy [*resignation effective 19 February 2009*]

Note 26 Key management personnel (continued)

(b) Key management personnel remuneration for the year ended 30 June 2009

	Short-term benefits			Post-employment	Long-term benefits	Termination benefits	Share-based payments	Total	Perform-ance based
2009	**Salary, fees & commissions**	**Non-monetary benefits**	**Cash bonus** [1]	**Super-annuation**			**ESOP**		
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Directors									
Roger Clarke	55,046	-	-	4,954	-	-	-	60,000	-
Greg Baynton	45,000	-	-	-	-	-	-	45,000	-
Lloyd Ernst [2]	13,750	-	-	-	-	-	-	13,750	-
Bevan Slattery	320,000	5,815	45,872	32,928	-	-	-	404,615	12%
Stephen Baxter	41,284	-	-	3,716	-	-	-	45,000	-
Jason Sinclair	181,284	6,105	36,697	19,619	-	-	-	243,705	16%
	656,364	11,920	82,569	61,217	-	-	-	812,070	
Other key management personnel									
Malcolm Thompson [3]	91,952	-	-	8,276	-	-		100,228	-
Louise Bolger	129,969	-	-	11,697	-	-		141,666	-
Brett Worrall [4]	300,000	-	-	-	-	-		300,000	-
Matt Hollis	82,922	-	42,951	11,329	-	-		137,202	34
Warwick Pye [5]	29,304	2,933	16,514	4,124	-	37,792		90,667	20
Tobias Carlisle [6]	26,582	-	-	5,183		12,858		44,623	
Mark Pawsey [7]	45,343	-	-	4,081	-	36,499		85,923	-
	706,072	2,933	59,465	44,690	-	87,149	-	900,309	

[1] All cash bonuses relate to performance during the reporting period. Where amounts remain unpaid, payments will be made within 3 months of the end of the financial year.

[2] Resignation effective 27 October 2008.

[3] Resignation effective 28 February 2009.

[4] In line with the Group's capitalisation policy, fees paid have been capitalised as part of the cost of the PPC-1 project.

[5] Resignation effective 29 August 2008.

[6] Resignation effective 22 August 2008.

[7] Resignation effective 19 February 2009.

Note 26 Key management personnel (continued)

(c) Key management personnel remuneration for the year ended 30 June 2008

	Short-term benefits			Post-employment	Long-term benefits	Termination benefits	Share-based payments	Total	Performance based
2008	Salary, fees & commissions	Non-monetary benefits	Cash bonus [1]	Superannuation			ESOP		
	$	$	$	$	$	$	$	$	%
Directors									
Roger Clarke	45,261	-	-	4,073	-	-	-	49,334	-
Greg Baynton	35,775	-	-	-	-	-	-	35,775	-
Lloyd Ernst [2]	124,998	35,775	-	-	-	-	-	160,773	-
Bevan Slattery	150,000	5,155	36,697	16,803	-	-	-	208,655	19
Stephen Baxter	127,571	28,966	45,872	15,662	-	10,469	-	228,540	22
	483,605	69,896	82,569	36,538	-	10,469	-	683,077	
Other key management personnel									
Malcolm Thompson	131,445	6,170	-	12,385	-	-	2,100	152,100	-
Warwick Pye	145,844	35,300	156,651	27,873	-	-	2,100	367,768	46
Jason Sinclair [3]	48,282	16,821	-	4,345	-	-	-	69,448	-
Brett Worrall [4]	50,000	-	-	-	-	-	-	50,000	-
Tobias Carlisle [5]	124,660	-	-	43,609	-	-	2,100	170,369	-
	500,231	58,291	156,651	88,212	-	-	6,300	809,685	

[1] All cash bonuses relate to performance during the reporting period. Where amounts remain unpaid, payments will be made within 3 months of the end of the financial year.

[2] Mr Ernst's remuneration is a combination of amounts paid during his role as a non-executive director and the six month period during which he served as the Company's Chief Operating Officer.

[3] Mr Sinclair commenced with the Company on 27 February 2008.

[4] Mr Worrall commenced with the Company on 1 May 2008.

[5] Mr Carlisle held two executive roles during the period and the remuneration disclosed is the total paid to him during the period.

Note 26 Key management personnel (continued)

(d) Option holdings

Number of options held by Key management personnel

2009	Balance of options at 1/07/08	Granted as compen-sation	Options exer-cised	Net change (other)	Balance at 30/06/09	Total vested 30/06/09	Total exer-cisable 30/06/09	Total unexer-cisable 30/06/09
Directors								
Roger Clarke	-	-	-	-	-	-	-	-
Greg Baynton	-	-	-	-	-	-	-	-
Lloyd Ernst [1]	-	-	-	-	-	-	-	-
Bevan Slattery	-	-	-	-	-	-	-	-
Stephen Baxter	-	-	-	-	-	-	-	-
Jason Sinclair	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Executives								
Malcolm Thompson [2]	2,500	-	-	-	2,500	2,500	2,500	-
Louise Bolger	-	-	-	-	-	-	-	-
Brett Worrall	-	-	-	-	-	-	-	-
Matt Hollis	-	-	-	-	-	-	-	-
Warwick Pye [3]	2,500	-	-	-	2,500	2,500	2,500	-
Tobias Carlisle [4]	2,500	-	-	-	2,500	2,500	2,500	
Mark Pawsey [5]	-	-	-	-	-	-	-	-
	7,500	-	-	-	7,500	7,500	7,500	-

[1] Resigned 27 October 2008.

[2] Resignation was effective 28 February 2009.

[3] Resignation was effective 29 August 2008.

[4] Resignation was effective 22 August 2008.

[5] Resignation was effective 19 February 2009.

(d) Shareholdings

Number of shares held by key management personnel:

	Balance 1/07/08	Granted as compen-sation	Options exercised	Net change (other)	Balance 30/06/09
Directors					
Roger Clarke	230,000	-	-	3,572	233,572
Greg Baynton	628,853	-	-	-	628,853
Lloyd Ernst [1]	219,567	-	-	(100,000)	119,567
Bevan Slattery	8,100,000	-	-	3,572	8,103,572
Stephen Baxter	8,000,000	-	-	3,572	8,003,572
Jason Sinclair	-	-	-	-	-
	17,178,420	-	-	(89,284)	17,089,136
Executives					
Malcolm Thompson [2]	-	-	-	-	-
Louise Bolger	-	-	-	-	-
Brett Worrall	-	-	-	-	-
Matt Hollis	-	-	-	-	-
Warwick Pye [3]	-	-	-	-	-
Tobias Carlisle [4]	10,000	-	-	(5,260)	4,740
Mark Pawsey [5]	-	-	-	-	-
	10,000	-	-	(5,260)	4,740

[1] Resigned 27 October 2008.

[2] Resignation was effective 28 February 2009.

[3] Resignation was effective 29 August 2008.

[4] Resignation was effective 22 August 2008.

[5] Resignation was effective 19 February 2009.

Note 27 Related party transactions

During the reporting period, the Company also recorded the following transactions with directors and key management personnel and their related parties:

- Mr Lloyd Ernst, a former director of the Company, is also a director of Lloyde.Net Pty Ltd. During the financial year, the total value of services provided to Lloyde.Net Pty Ltd while Mr Ernst was a director and recognised as income in the accounts was $10,000 (exclusive of GST). The provision of services was at arms length and at commercial rates, however amounts receivable were offset against remuneration for directors fee's payable to Mr Ernst.

- Mr Greg Baynton, a director of the Company, is also a director of Orbit Capital Pty Ltd. During the period, Orbit Capital Pty Ltd provided capital advisory services to the Group at a total cost of $75,000 (exclusive of GST) during the period. The provision of these services was at arm's length and at commercial rates.

- The Company loaned funds to its wholly-owned subsidiaries, PIPE International (Australia) Pty Ltd, PPC 1 Limited (Bermuda) and PPC-1 (US) Incorporated for the purposes of constructing of an undersea cable system, PPC-1. The terms of the loan agreements have been agreed to in principle and are in operation, however the agreements are yet to be finalised subject to the requirements of external project finance. Loans are subject to the rate of interest that the Company can obtain on its own debt facilities and are repayable at call.

- During the period, Vocus Group Limited, a corporation in which the Company owns shares loaned funds to a subsidiary of the Company for the purposes of meeting operating expenses. Loans are not subject to any interest charge and are repayable at call.

- Mr Bevan Slattery, a director of the Company, is a shareholder of A.C.N 123 736 354 Pty Ltd (formerly Demand Broadband Pty Ltd). During the period, the Company purchased network equipment and assets from the Administrators of A.C.N 123 736 354 Pty Ltd. Mr Slattery excused himself from all discussions surrounding this transaction at board meetings and also excused himself from the vote on the decision to purchase the assets. The total amount paid to A.C.N 123 736 354 Pty Ltd was $150,000 (exclusive of GST). This transaction was conducted at arm's length and at commercial rates.

- Mr Bevan Slattery, a director of the Company, is a shareholder of A.C.N 123 736 354 Pty Ltd (formerly Demand Broadband Pty Ltd). During the period, the total value of services provided to A.C.N 123 736 354 Pty Ltd was $24,600 (exclusive of GST). The terms and conditions of the provision of these services were at arm’s length and at commercial rates. A.C.N 123 736 354 Pty Ltd entered voluntary administration on 10 October 2008, and the amount written off against Provision for Doubtful Debts in February 2009 was $24,600.

- Mr Roger Clarke, a director of the Company, is the chairman of the Board of Advice at ABN AMRO Morgans Limited. During the financial year, the total value of services provided to ABN AMRO Morgans Ltd and recognised as income in the accounts was $989,765 (exclusive of GST). The terms and conditions of the provision of these services are at arm’s length and at commercial rates.

Note 28 Share-based payments

(a) The following share-based payment arrangements existed at 30 June 2009:

The PIPE Networks Executive Share Option Plan (ESOP) was approved on 16 May 2005 and gives eligible staff the opportunity to participate in the plan. The Plan Committee (the Board of Directors or a committee to which the Board has delegated this power) determines which employees are eligible. The ESOP allows the Plan Committee to make an offer subject to the rules of ESOP to eligible employees from time to time. The ESOP empowers the Plan Committee to determine the conditions of the offer in accordance with the rules of the ESOP.

On 12 December 2007, 131,548 share options were granted to all employees of PIPE Networks Limited as at 12 December 2007 under the Company's ESOP to take up ordinary shares at an exercise price of $4.50 each. The options are exercisable immediately and must be exercised on or before 12 December 2009. The options hold no voting or dividend rights and are not transferable. At reporting date, no options had been exercised. Details are provided in part (b) below.

(b) Number and weighted average exercise prices of share options:

	2009	
	Number of options	**Weighted average exercise price $**
Balance at the beginning of the year	**129,014**	**4.50**
Granted	**-**	**-**
Forfeited	**-**	**-**
Exercised	**-**	**-**
Expired	**-**	**-**
Outstanding at year end	**129,014**	**4.50**
Exercisable at year end	**129,014**	**4.50**

The options outstanding at 30 June 2009 had a weighted average exercise price of $4.50 and a weighted average remaining contractual life of 0.45 years. Exercise prices are $4.50 for all outstanding options in respect of options

	2008	
	Number of options	**Weighted average exercise price $**
Balance at the beginning of the year	125,000	1.80
Granted	131,548	-
Forfeited	(2,534)	1.80
Exercised	(125,000)	1.80
Expired	-	-
Outstanding at year end	129,014	4.50
Exercisable at year end	129,014	4.50

Note 28 Share-based payments (continued)

(c) Fair value of options granted

The weighted average fair value of options outstanding at year end is $110,514. The fair value at grant date was determined by an independent valuer using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, the risk free rate and the fact that the options are not tradeable. The inputs used for the Black-Scholes option pricing model for options outstanding at year end 30 June 2009 are as follows:

i) 131,548 options granted 12 December 2007

- options were granted for no consideration and expire 13 December 2009.

- grant date		12 December 2007
- share price at grant date	$	4.10
- exercise price	$	4.50
- expected volatility		35%
- expected dividend yield		-
- risk free rate		7.45%

Note 29 Lease revenue receivable

As per Note 1(c)(i), the Company recognises Dark Fibre and Telehousing revenue on a straight line basis over the lease term.

The future minimum lease payments under non-cancellable operating leases with customers for Dark fibre and Tele-housing services are as follows:

	30 June 2009 $ (,000)	30 June 2008 $ (,000)
Within one year	**42,161**	39,709
Later then one year but less then five years	**69,744**	74,731
Later then five years	**8,257**	11,133
	120,162	125,572

The above amounts represent those operating leases where the Company, as the lessor, has provided the service and receives a fee periodically as consideration for the provision of that service. The amounts presented above only reflect the initial contracted term and do not include any potential exercise of optional further terms.

Note 30 Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 1.

Name of entity	Country of incorporation	Class of shares	Ownership Interest[1] 2009 %	2008 %
Parent				
PIPE Networks Limited [2]	Australia	Ordinary	-	-
Controlled entities				
PIPE Transmission Pty Ltd [3]	Australia	Ordinary	100	100
PIPE International (Australia) Pty Ltd [3]	Australia	Ordinary	100	100
PPC 1 Limited [3]	Bermuda	Ordinary	100	100
PPC1 (US) Incorporated	USA	Ordinary	100	100
Vocus Connect Pty Ltd [4]	Australia	Ordinary	-	75

[1] Investments in subsidiaries are carried at cost, refer Note 1(p) and Note 6(a) for details.

[2] Pipe Networks Limited is the head entity within the tax-consolidated group.

[3] These companies are part of the tax-consolidated group.

[4] Please refer to Note 17 for details on the disposal of the interest in this entity.

Note 31 Earnings per security (EPS)

Details of the basic and diluted EPS are as follows:

	Consolidated	
	30 June 2009 Cents	**30 June 2008 Cents**
Basic earnings per security		
From continuing operations	**19.83**	15.80
From discontinued operations	**0.06**	(0.07)
Total basic earnings per share	**19.89**	15.73
Diluted earnings per security		
From continuing operations	**19.83**	15.80
From discontinued operations	**0.06**	(0.07)
Total diluted earnings per share	**19.89**	15.73

Earnings used in calculations of both basic and diluted EPS:

	2009 $ (,000)	**2008 $ (,000)**
Net profit	**10,504**	7,204
Other	**-**	-
Earnings used in the calculation of basic and diluted EPS from continuing operations	**10,504**	7,204
Adjustments to exclude profit for the period from discontinued operations	**(31)**	31
Earnings used in the calculation of basic and diluted EPS from overall operations	**10,473**	**7,235**

Weighted average number of ordinary shares used in calculation of Basic and Diluted EPS:

	Shares	**Shares**
Weighted average number of ordinary shares used in calculation of Basic EPS	**52,820,977**	45,512,057
Adjustment for calculation of diluted earnings per share:		
Options	**-**	-
Weighted average number of ordinary shares used in calculation of Diluted EPS	**52,820,977**	45,512,057

Note: Share options outstanding under the Company Employee share option Plan at the end of the period are considered non-dilutive as the exercise price is less then the current average market value of the shares. These shares may become dilutive in future periods.

Note 32 Events occurring after balance date

The following events occurred after balance date:

- On 13 July 2009, Mr Jason Sinclair was appointed to the newly created role of General Manager, Domestic Operations for the Company. The appointment is until the end of 2009 and will enable Group CEO and Managing Director, Bevan Slattery, to concentrate on the imminent launch of the PPC-1 submarine cable system and the Company's International Operations.

- On 20 July 2009, Mr Robin Khuda commenced his role as Group Chief Financial Officer of the Company.

- On 24 August 2008, the Company tested the first light transmission over the PPC-1 cable system, as announced to market on that day. This test represents that physical completion of the PPC-1 system and commencement of the testing phase in the development program.

Other than the matters disclosed above, no other matters or circumstances have arisen since 30 June 2009 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.

Directors' declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 1 to 45, are in accordance with the Corporations Act 2001 and:
   a) comply with Accounting Standards and the Corporations Regulations 2001; and
   b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and consolidated group;

2. the Chief Executive Officer and Chief Finance Officer have each declared that:
   a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   c) the financial statements and notes for the financial year give a true and fair view;

3. in the Directors' opinion 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 made in accordance with a resolution of the Board of Directors.

Bevan Slattery
CEO/Managing Director
Date: 24 August 2009

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

Report on the Financial Report

We have audited the accompanying financial report of PIPE Networks Limited (the company) and PIPE Network Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation

HackeTTS DFK

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

Independence

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

Auditor's Opinion

In our opinion:

a. the financial report of PIPE Networks Limited and PIPE Networks Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

> i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
>
> ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 11 of the report of the directors for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of PIPE Networks Limited for the year ended 30 June 2009, complies with s 300A of the *Corporations Act 2001*.

HACKETTS DFK
Brisbane

Shaun Lindemann
Audit Partner

Date: 24 August 2009

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