



People Telecom Limited

Results for the 2005 Financial Year and Outlook

People Telecom (PEO) is one of the fastest growing telecommunications organisations in Australia. The group is a leader in service within the business telecommunications landscape, offering high customer service levels accompanied by a full suite of standard and cutting edge telecommunications products such as Voice over Internet Protocol (VoIP).

During the year the company came 9th in the BRW Fast 100 top growing companies. PEO was also nominated for telecommunications company of the year, mobile operator of the year, best ISP of the year and won the customer service excellence award for NSW/ACT (Small Business) - a testament to the groups people, strategy and service culture.

For the 12 months to June 30th 2005:

- Revenue grew 38% to \$100 million (\$72.5 million in 2004 underlying performance)
- EBITDA turned positive to \$2.6 million (-\$1.038 million in 2004 underlying performance).
- Reduction in operating costs from 26% to 22% as a percentage of revenue during the period.
- Monthly Churn at industry low levels of 1.8%, demonstrating high customer satisfaction levels.
- Strong cash collections rising from \$24 million in Q1 to \$27 million in Q4.
- Net profit before amortisation of goodwill turned positive to \$1.9 million (-\$3.3 million in 2004 underlying performance).

With fast growth and growing profits under its belt, the company has cemented its place as a premier telecommunications provider in Australia.

Outlook for the full 2006 financial year

2006 is shaping up to be the best year yet with strong sales driving our revenue to new heights while shaping our cost base to increase profits.

The outlook for the 2006 financial year continues to show significant organic growth driving revenue in excess of \$125 million with corresponding strong growth in EBITDA and net profit.

Operational Review

The company offers a full suite of telecoms products to complement broadband such as voice, VoIP and mobile services. PEO is an organisation that prides itself on the delivery of exceptional telecommunications services to businesses and home offices in Australia.

Data Revenue Including VoIP

Data revenue grew by 43% to \$25.2 million due to strong demand in Broadband and on-net (our network) fibre services and a significant expansion of the company's national data centre.

In addition, the rollout of multi-site virtual networking services across the country has expanded, as has a significant upward trend in customers acquiring bundled services.

Mobile Revenue

Mobile revenue grew 91% to \$17.5 million with a monthly average revenue per user of \$102. Mobile sales continue to climb as the market responds to our sophisticated on-line peopleNET fleet management tools. In addition, the expansion of the product range to include CDMA has seen connections increase over the year. Mobile data services are also delivering to the revenue line driven by new products such as Blackberry and soon, 3G.

Voice Revenue

Fixed Voice revenue grew 25% to \$56.0 million over the period. Included in this is the expansion of our CPE services division that complements a full management suite for the SME market.

The focus of the group is on the rollout of voice services over data networks (VoIP) and the expansion of data and mobile services. This will enable us to become less dependent on other carrier networks while significantly improving our gross margins.

In addition to voice over broadband launched in 2005, two main products will be launched in 2006 that include a simplified VoIP service for small business using their existing CPE and for large customers a full virtual PABX service platform that will streamline the costs of managing equipment while converging voice and data for long term cost savings.

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Appendix 4E

Preliminary final report Year ended 30 June 2005

PEOPLE TELECOM LIMITED ACN 009 273 152
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Results for announcement to the market

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(2.1)The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities	Up	516%	to 100,228
(2.2)The amount and percentage change up or down from the previous corresponding period of (loss) from ordinary activities after tax attributable to members.	Down	99%	to (43)
(2.3)The amount and percentage change up or down from the previous corresponding period of net (loss) for the period attributable to members.	Down	99%	to (43)
(2.4) It is not proposed to declare or pay any dividend in relation to the period.			

Brief explanation of Results

Overview

The June 2005 full year financial result discloses:

- Revenue grew 38% to \$100 million (\$72.5 million in 2004 underlying)
- EBITDA turned positive to \$2.6 million (-\$1.038 million in 2004 underlying).
- Reduction in operating costs from 26% to 22% as a percentage of revenue during the period.
- Strong cash collections rising from \$24 million in Q1 to \$27 million in Q4.
- Net profit before amortisation of goodwill turned positive to \$1.9 million (-\$3.3 million in 2004 underlying).

Operation Review

The year ended 30 June 2005 financial results include the results of People Telecommunications Pty Limited and its subsidiaries (PTC). PTC was acquired on 29 June 2004 and accordingly PTC's financial results were not included in the financial results for the year ended 30 June 2004.

To understand both the impact of the acquisition of PTC and the underlying growth of the group, set out over are two tables.

Table 1 sets out in summarized form the financial results of the group as reported to the market for the year ended 30 June 2004 and the year ended 30 June 2005. As noted above the financial results of PTC are only included in the year ended 30 June 2005. This is termed the "reported performance".

Table 2 sets out in summarized form the financial results of the group for the year ended 30 June 2004 and the year ended 30 June 2005 as if PTC was acquired prior to 1 July 2003. This is termed the "underlying performance".

Table 1: Reported Performance

	Reported Performance			
	Year ended 30 June 2004	Year ended 30 June 2005	Growth year on year	% Growth year on year
Income from rendering Telecommunications services	\$16,188,274	\$100,041,117	\$83,852,843	518%
Cost of sales	(\$12,600,200)	(\$75,085,920)	(\$62,485,720)	496%
Gross margin	\$3,588,074 22.16%	\$24,955,197 24.94%	\$21,367,123 2.78%	596%
Operating costs net of other income	(\$6,152,980) 38.01%	(\$22,317,418) 22.31%	(\$16,164,438) 15.70%	263%
EBITDA	(\$2,564,906) -15.84%	\$2,637,779 2.64%	\$5,202,685 18.48%	203%
Depreciation / Interest	(\$2,207,906)	(\$773,036)	\$1,434,870	65%
Profit / (Loss) before amortisation of goodwill	(\$4,772,812)	\$1,864,743	\$6,637,555	139%
Amortisation of goodwill	\$0	(\$1,907,433)	(\$1,907,433)	100%
(Loss) from ordinary activities before income tax expense	(\$4,772,812)	(\$42,690)	\$4,730,122	99%
Segment Revenue				
Fixed Wire	\$0	\$55,975,126	\$55,975,126	100%
Mobile	\$0	\$17,522,940	\$17,522,940	100%
Data	\$16,188,274	\$25,213,031	\$9,024,757	56%
CPE and other	\$0	\$1,330,020	\$1,330,020	100%
	\$16,188,274	\$100,041,117	\$83,852,843	518%

Table 2: Underlying Performance

	Underlying Performance			
	Year ended 30 June 2004	Year ended 30 June 2005	Growth year on year	% Growth year on year
Income from rendering Telecommunications services	\$72,543,768	\$100,041,117	\$27,497,349	38%
Cost of sales	(\$54,403,217)	(\$75,085,920)	(\$20,682,703)	38%
Gross margin	\$18,140,551 25.01%	\$24,955,197 24.94%	\$6,814,646 -0.06%	38%
Operating costs net of other income	(\$19,178,978) 26.44%	(\$22,317,418) 22.31%	(\$3,138,440) 4.13%	16%
EBITDA	(\$1,038,428) -1.43%	\$2,637,779 2.64%	\$3,676,207 4.07%	354%
Depreciation / Interest	(\$2,262,474)	(\$773,036)	\$1,489,438	66%
Profit / (Loss) before amortisation of goodwill	(\$3,300,901)	\$1,864,743	\$5,165,644	156%
Amortisation of goodwill	(\$1,907,434)	(\$1,907,433)	\$1	0%
(Loss) from ordinary activities before income tax expense	(\$5,208,335)	(\$42,690)	\$5,165,645	99%
Segment Revenue				
Fixed Wire	\$44,720,572	\$55,975,126	\$11,254,554	25%
Mobile	\$9,167,114	\$17,522,940	\$8,355,825	91%
Data	\$17,659,908	\$25,213,031	\$7,553,123	43%
CPE and other	\$996,174	\$1,330,020	\$333,846	34%
	\$72,543,768	\$100,041,117	\$27,497,348	38%

Segment Review

Data revenue grew by 43% to \$25.2 million due to strong demand in Broadband and on-net (our network) fibre services and a significant expansion of the company's national data centre. In addition, the roll out of multi-site virtual networking services across the country has expanded, as has a significant upward trend in customers acquiring bundled services.

Mobile revenue grew 91% to \$17.5 million with a monthly average revenue per user of \$102. Mobile sales continue to climb as the market responds to our sophisticated on-line peopleNET fleet management tools. In addition, the expansion of the product range to include CDMA has seen connections increase over the year. Mobile data services are also delivering to the revenue line driven by new products such as Blackberry.

Fixed Voice revenue grew 25% to \$56.0 million over the period. Included in this is the expansion of our CPE services division that complements a full management suite for the SME market.

People Telecom Limited
Statements of Financial Performance
For the year ended 30 June 2005

		CONSOLIDATED	
	Note	2005	2004
		\$	\$
Revenue from ordinary activities	2	100,228,391	16,266,228
Cost of sales		(75,085,920)	(12,600,200)
Wages and related expenses		(11,623,637)	(2,195,197)
Advertising and promotion expenses		(633,844)	(226,919)
Billing and collection costs		(1,216,684)	(369,194)
Borrowing costs	3	(103,444)	(137,509)
Dealer charges		(2,853,984)	(346,878)
Depreciation and amortisation	3	(2,607,971)	(862,333)
Insurance		(224,868)	(142,766)
Professional fees		(629,728)	(409,710)
Rental expenditure		(1,408,896)	(1,178,519)
Recoverable amount written off		(156,328)	(1,270,005)
Other expenses from ordinary activities	3	(3,725,777)	(1,299,810)
		<hr/>	<hr/>
(Loss) from ordinary activities before income tax		(42,690)	(4,772,812)
Income tax expense relating to ordinary activities	4	-	-
		<hr/>	<hr/>
(Loss) attributable to members of People Telecom Limited		(42,690)	(4,772,812)
		<hr/>	<hr/>
Total changes in equity other than those resulting from transactions with owners as owners		<u>(42,690)</u>	<u>(4,772,812)</u>
Basic earnings/(loss) per share (cents per share)	5	(0.01)	(6.3)
Diluted earnings/(loss) per share (cents per share)	5	(0.01)	(6.3)

The accompanying notes form an integral part of these financial statements.

People Telecom Limited
Statements of Financial Position
As at 30 June 2005

	Note	CONSOLIDATED	
		2005	2004
		\$	\$
Current Assets			
Cash assets	6	2,671,522	3,557,048
Receivables	7	16,476,313	11,941,189
Other	8	3,418,381	1,971,025
Total Current Assets		22,566,216	17,469,262
Non Current Assets			
Other financial assets	9	1,557,403	1,737,410
Property, plant and equipment	10	2,983,579	3,145,965
Other	11	489,222	297,619
Intangible assets	12	36,241,233	38,148,666
Total Non Current Assets		41,271,437	43,329,660
Total Assets		63,837,653	60,798,922
Current Liabilities			
Payables	13	17,489,472	14,477,451
Interest bearing liabilities	14	390,453	570,823
Provisions	15	441,087	355,326
Other	16	3,619,548	3,194,591
Total Current Liabilities		21,940,560	18,598,191
Non-Current Liabilities			
Interest bearing liabilities	17	178,238	466,596
Other	18	620,209	582,692
Total Non-Current Liabilities		798,447	1,049,288
Total Liabilities		22,739,007	19,647,479
Net Assets		41,098,646	41,151,443
Equity			
Contributed equity	19	62,103,292	62,113,399
Accumulated Losses	21	(21,004,646)	(20,961,956)
Total Equity		41,098,646	41,151,443

The accompanying notes form an integral part of these financial statements.

People Telecom Limited
Statements of Cash Flows
For the year ended 30 June 2005

	Note	CONSOLIDATED	
		2005 \$	2004 \$
Cash Flow From Operating Activities			
Receipts from customers		100,840,430	15,724,244
Payments to suppliers & employees		(100,816,477)	(16,864,455)
Interest received		187,273	61,941
Interest and borrowing costs paid		(103,444)	(137,509)
Net cash generated by/(used in) operating activities	22(a)	107,782	(1,215,779)
Cash Flow From Investing Activities			
Payment for property, plant & equipment		(694,480)	(1,593,876)
Proceeds from returned deposits		180,007	-
Cash balances of acquired subsidiary, net of payment for acquisition of subsidiary	22(b)	-	1,197,452
Net cash (used in) investing activities		(514,473)	(396,424)
Cash Flow From Financing Activities			
Proceeds from share issues		7,500	5,147,500
Payment of share issue costs		(17,607)	(343,201)
Proceeds from loans		206,763	169,821
Payment of loans		(157,802)	(180,045)
Proceeds from borrowings – other		-	567,775
Repayment of finance lease principal		(517,689)	(533,786)
Net cash (used in)/generated by financing activities		(478,835)	4,828,064
Net (decrease)/increase in cash held		(885,526)	3,215,861
Cash at beginning of the financial year		3,557,048	341,187
Cash at the end of the financial year	6	2,671,522	3,557,048

The accompanying notes form an integral part of these financial statements.

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2005

Note 1: Accounting Policies

The accounting policies adopted in the preparation of the preliminary financial report are consistent with those adopted and disclosed in the 30 June 2004 Annual Report.

	CONSOLIDATED	
	2005	2004
	\$	\$
Note 2: Revenue from ordinary activities		
Revenue from rendering telecommunication services	100,041,117	16,188,274
Other Revenue		
Interest income	187,274	61,941
Sundry income	-	16,013
	187,274	77,954
Total Revenue from ordinary activities	100,228,391	16,266,228
Note 3: (Loss) from ordinary activities		
Expenses from ordinary activities include the following:		
Borrowing costs		
Interest Expense		
Finance leases	95,385	117,915
Other	-	2,976
Other	8,059	16,618
	103,444	137,509
Depreciation and amortisation		
Depreciation – plant and equipment	700,538	862,333
Amortisation of goodwill	1,907,433	-
	2,607,971	862,333
Movement in allowance for doubtful debtors	(176,090)	100,000
Movement in provision for employee entitlements	140,351	36,659
Auditors' Remuneration:		
Auditing or reviewing the financial report		
Pitcher Partners	118,694	34,000
Ernst & Young	-	27,200
Other Services		
Pitcher Partners	18,000	-

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2005

	CONSOLIDATED	
	2005	2004
	\$	\$
Note 4: Income Tax		
<i>Income Tax expense</i>		
The prima facie tax benefit on operating loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax benefit on operating loss from ordinary activities before income tax at 30% (2004: 30%)	12,807	1,431,850
Less tax effect of permanent differences:		
Amortisation of goodwill	(572,230)	-
Non-deductible costs	(67,644)	(7,836)
Plus:		
Income tax credit from future income tax benefits not previously brought to account	627,067	-
Less:		
Future income tax benefits not brought to account	-	(1,424,014)
Income tax expense relating to ordinary activities	-	-

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2005

	CONSOLIDATED	
	2005	2004
	\$	\$
Note 5: Earnings per share		
Basic earnings/(loss) per share (cents per share) ⁽¹⁾	(0.01)	(6.3)
Diluted earnings/(loss) per share (cents per share) ⁽¹⁾	(0.01)	(6.3)
Net Loss used in the calculation of basic and diluted EPS	42,690	4,772,812
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS ⁽¹⁾	305,616,209	75,948,160

Options on issue are considered to be potential ordinary shares. In accordance with AASB 1027, none of the options on issue were considered to be potentially dilutive as the exercise price exceeded the average market share price during the year ended 30 June 2005.

⁽¹⁾ The average number of ordinary shares outstanding during 2004 has been adjusted as if the consolidation of every two fully paid ordinary shares into one fully paid ordinary share that occurred on 29 June 2004 was effective 1 July 2003.

	CONSOLIDATED	
	2005	2004
	\$	\$
Note 6: Cash assets		
Cash at bank	2,668,391	3,555,667
Cash on hand	3,131	1,381
	2,671,522	3,557,048
Note 7: Receivables (current)		
Trade debtors	16,616,681	12,455,329
Allowance for doubtful debtors	(594,316)	(770,406)
	16,022,365	11,684,923
Other	453,948	256,266
	16,476,313	11,941,189

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2005

	CONSOLIDATED	
	2005	2004
	\$	\$
Note 8: Other assets (current)		
Prepayments	579,006	517,426
Deferred upfront commission costs – mobile customers	1,862,634	994,616
Deferred handset costs	485,534	313,928
Deferred upfront commission costs – fixed wire customers	161,859	52,914
Deferred VOIP handset costs	150,684	92,141
Other deferred costs	178,664	-
	3,418,381	1,971,025
 Note 9: Other financial assets (non-current)		
Deposits ⁽¹⁾	1,557,403	1,737,410
 (1) These financial assets are provided as security for bank guarantees given to third parties.		
 Note 10: Property, plant and equipment		
<i>(a) Carrying values</i>		
Telecommunications Infrastructure -at cost	2,476,018	2,495,458
Less accumulated depreciation	(563,446)	(451,856)
	1,912,572	2,043,602
 Office plant and equipment - at cost	 760,570	 465,576
Less accumulated depreciation	(319,641)	(75,921)
	440,929	389,655
 Leased plant and equipment - at cost	 629,355	 647,631
Less accumulated depreciation	(327,546)	(138,391)
	301,809	509,240
 Leasehold improvements – at cost	 250,734	 69,062
Less accumulated depreciation	(47,204)	-
	203,530	69,062
 Computer equipment, software and website development - at cost	 228,922	 134,406
Less accumulated depreciation	(104,183)	-
	124,739	134,406
 Total property, plant and equipment	2,983,579	3,145,965

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2005

	CONSOLIDATED	
	2005	2004
	\$	\$
Note 10: Property, plant and equipment		
<i>(b) Reconciliations</i>		
Telecommunications Infrastructure		
Carrying amount at the beginning of the year	2,043,602	2,493,888
Additions	20,170	57,482
Transfers	(39,610)	-
Depreciation	(111,590)	(209,068)
Recoverable amount write down	-	(298,700)
Carrying amount at year end	1,912,572	2,043,602
Office plant and equipment		
Carrying amount at the beginning of the year	389,655	338,331
Additions	244,486	835,841
Acquisition of People Telecommunications Limited	-	104,220
Transfers	(6,263)	-
Depreciation	(186,949)	(290,265)
Recoverable amount write down	-	(598,472)
Carrying amount at year end	440,929	389,655
Leased plant and equipment		
Carrying amount at the beginning of the year	509,240	544,520
Additions	-	700,550
Depreciation	(207,431)	(362,999)
Recoverable amount write down	-	(372,831)
Carrying amount at year end	301,809	509,240
Leasehold Improvements		
Carrying amount at the beginning of the year	69,062	-
Additions	179,722	-
Acquisition of People Telecommunications Limited	-	69,062
Transfers	69,228	-
Depreciation	(114,482)	-
Carrying amount at year end	203,530	69,062
Computer equipment, software and website development		
Carrying amount at the beginning of the year	134,406	-
Additions	250,101	-
Acquisition of People Telecommunications Limited	-	134,406
Transfers	(23,355)	-
Depreciation	(80,085)	-
Recoverable amount write down	(156,328)	-
Carrying amount at year end	124,739	134,406

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2005

	CONSOLIDATED	
	2005	2004
	\$	\$
Note 11: Other assets (non-current)		
Deferred upfront commission costs – mobile customers	413,098	235,975
Deferred handset costs	53,596	61,644
Other deferred costs	22,528	-
	489,222	297,619
Note 12: Intangible Assets		
Goodwill at cost	38,148,666	38,148,666
Less accumulated amortisation	(1,907,433)	-
	36,241,233	38,148,666
Note 13: Payables		
Trade creditors	10,889,902	8,525,661
Accrued expenses	6,599,570	5,951,790
	17,489,472	14,477,451
Note 14: Interest bearing liabilities (current)		
Lease Liabilities	288,444	517,776
Borrowings	102,009	53,047
	390,453	570,823
Note 15: Provisions (current)		
Forfeited shares account	-	54,590
Employee entitlements	441,087	300,736
	441,087	355,326
Note 16: Other liabilities (current)		
Unearned Income - carrier commissions / subsidies	1,931,414	1,648,325
Unearned income – other	1,688,134	1,546,266
	3,619,548	3,194,591
Note 17: Interest bearing liabilities (non current)		
Lease Liabilities	178,238	466,596
Note 18: Other liabilities (non current)		
Unearned Income - carrier commissions / subsidies	620,209	582,692

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2005

	CONSOLIDATED	
	2005	2004
	\$	\$
Note 19: Contributed equity		
305,653,709 fully paid ordinary shares (2004: 305,578,709)	62,103,292	62,113,399

	2005	2005	2004	2004
	Number	\$	Number	\$
Movements in Fully Paid Ordinary shares				
At the beginning of the financial year	305,578,709	62,113,399	127,975,262	17,343,683
Issue of Shares at \$0.06 each	-	-	14,000,000	840,000
Issue of Shares at \$0.115 each	-	-	20,000,000	2,300,000
Issue of Shares at \$0.10 each	75,000	7,500	-	-
Exercise of employee options at \$0.05 each	-	-	150,000	7,500
Cancellation of two options for the issue of one share	-	-	37,522,883	-
Transfer from option premium reserve on cancellation of two options for the issue of one share	-	-	-	814,508
Consolidation of two shares into one share	-	-	(99,823,981)	-
Allotment and issue of shares at \$0.20 as consideration for the acquisition of People Telecommunications Limited (formerly people telecom Limited)	-	-	195,754,545	39,150,909
Issue of Shares at \$0.20 each	-	-	10,000,000	2,000,000
Share issue costs	-	(17,607)	-	(343,201)
	305,653,709	62,103,292	305,578,709	62,113,399

	CONSOLIDATED	
	2005	2004
	\$	\$
Note 20: Reserves		
<i>Option premium reserve</i>		
Opening balance	-	814,508
Less transfer to contributed equity on cancellation of two options for the issue of one share	-	(814,508)
Closing balance	-	-

Note 21: Accumulated losses		
Accumulated losses at the beginning of the year	20,961,956	16,189,144
Net loss from ordinary activities after income tax	42,690	4,772,812
Accumulated losses at the end of the financial year	21,004,646	20,961,956

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2005

	CONSOLIDATED	
	2005	2004
	\$	\$
Note 22: Cash Flow Information		
<i>(a) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax</i>		
Loss from ordinary activities after income tax	(42,690)	(4,772,812)
Add non-cash items:		
Allowance for doubtful debtors	943,089	100,000
Amounts set aside to provisions	85,761	36,659
Deferred income on sale	-	(16,013)
Depreciation and amortization	700,538	862,333
Goodwill written off	1,907,433	-
Recoverable amount written off	156,328	1,270,005
Net cash generated by/(used in) operating activities before change in assets and liabilities	3,750,459	(2,519,828)
Changes in assets and liabilities		
- (Increase)/Decrease in trade debtors	(5,280,529)	(1,707,535)
- (Increase)/Decrease in other receivables	(197,601)	47,531
- (Increase)/Decrease in other financial assets	-	(234,981)
- (Increase)/Decrease in current prepayments	(1,447,358)	(76,886)
- (Increase)/Decrease in other assets	(191,683)	-
- Increase/(Decrease) in trade creditors and accruals	3,012,020	2,032,415
- Increase/(Decrease) in unearned income	462,474	1,243,505
Cash Flows from Operating Activities	107,782	(1,215,779)

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2005

CONSOLIDATED
2005 **2004**
\$ **\$**

Note 22: Cash Flow Information

(b) Business Acquired

On 29 June 2004 People Telecom Limited acquired all the ordinary shares of People Telecommunications Limited. Details of this acquisition are as follows:

Consideration

195,754,545 fully paid ordinary shares issued at \$0.20 - 39,150,909

Cash costs of the acquisition - 254,196

39,405,105

Fair value of net assets of People Telecommunications Limited

Cash Assets - 1,451,648

Receivables (current) - 9,527,352

Other Current assets - 1,581,829

Receivables (non current) - 292,829

Other financial assets - 1,502,429

Plant and equipment - 307,688

Other non current assets - 297,619

Payables - (11,271,860)

Provisions - (202,078)

Other current liabilities - (1,648,325)

Other non current liabilities - (582,692)

1,256,439

Goodwill on acquisition - 38,148,666

Inflow of cash to acquire People Telecommunications Limited

Cash costs - (254,196)

Cash balances acquired - 1,451,648

Inflow of cash - 1,197,452

People Telecom Limited
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For the year ended 30 June 2005

Note 23: Impact of adopting Australian equivalent of International Financial Reporting Standards (AIFRS)

The company is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year commencing 1 July 2005, including the interim financial report for the half year ending 31 December 2005 and the annual financial report for the year ending 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on the operating loss for the year ended 30 June 2005.

(i) Share based payments

Under AASB 2 Share-based Payment, the company will be required to determine the fair value of equity settled transactions and recognise an expense in the Statement of Financial Performance. Share-based payments to directors and other employees will also be expensed under AIFRS.

(ii) Goodwill

Goodwill on consolidation will be recalculated to derecognise intangible assets acquired in business combinations that do not meet the identifiability criteria under AIFRS, and to recognise deferred tax liabilities at the acquisition date under the balance-sheet method.

Amortisation of goodwill will cease on first-time adoption of AIFRS. Therefore on adoption of AIFRS, reported results for the financial year to 30 June 2005 will be adjusted for amortisation charges from 1 July 2004. However, amortisation charges prior to 30 June 2004 may not be reversed under the first-time adoption provisions.

Under AIFRS, goodwill will be subject to annual impairment testing.

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2005

Note 23: Impact of adopting Australian equivalent of International Financial Reporting Standards (AIFRS) con't

(iii) Impairment of Assets

The recoverable amount test under AGAAP will be replaced by impairment testing whereby the recoverable amount is determined as the higher of fair value less costs to sell and value in use. Value in use incorporates the use of discounted cash flows.

Other than disclosed in Note 24(b), the entity does not anticipate any additional write-downs for impairment of non-current assets in first-time adoption of AIFRS.

(iv) Income taxes

Under AIFRS a balance-sheet approach will be adopted under which temporary differences are identified for each asset and liability rather than accounting for the effect of timing and permanent differences between taxable and accounting profit. In addition, a future income tax benefit must be recognised for tax losses where their realisation is considered probable. Under AGAAP tax losses may only be recognised where realisation is considered to be virtually certain.

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2005

Note 24: Reconciliation of Reported Amounts under Australian Accounting Standards to AIFRS

The following tables represent management's best estimates of the quantitative impact of the changes under AIFRS. When the company prepares its first full AIFRS financial statements, the following disclosures may differ as a result of amended or additional standards or interpretations which may be issued by the AASB and the IASB. No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

(a) Reconciliation of Total Equity at 1 July 2004

Total equity at 1 July 2004 as reported under Australian Accounting Standards	\$41,151,443
Adjustments to total equity as at 1 July 2004	-
Total equity at 1 July 2004 as restated under AIFRSs	<u>\$41,151,443</u>

(b) Reconciliation of Operating Profit after Tax for the year ended 30 June 2005:

Operating loss after tax for the financial year to 30 June 2005 as reported under Australian Accounting Standards:	(\$42,690)
Share-based payments earned during the year	(\$228,000)
Goodwill on consolidation adjustments	
- reversal of amortisation for the year	\$1,907,433
- impairment loss arising from events during the current year	(\$1,907,433)
Operating loss after tax as restated under AIFRS for the year ended 30 June 2005	<u>(\$270,690)</u>

(c) Reconciliation of Total Equity at 30 June 2005:

Total equity at 30 June 2005 as reported under Australian Accounting Standards	\$41,098,646
Adjustments to operating loss for the year as described above	(\$228,000)
Total equity at 30 June 2005 as restated under AIFRS	<u>\$40,870,646</u>

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Dividends

There were no dividends declared or paid during the year ended 30 June 2005, nor are any planned to be declared in relation to the year ended 30 June 2005.

As there is no dividend declared or planned to be declared in relation to the year ended 30 June 2005, the shareholder approved dividend reinvestment plan is currently not in operation.

Net assets

Net tangible assets per security with the comparative figure for the previous corresponding period.

2005	2004
1.59 cents	0.98 cents

Note - the average number of ordinary shares outstanding during 2004 has been adjusted as if the consolidation of every two fully paid ordinary shares into one fully paid ordinary share that occurred on 29 June 2004 was effective 1 July 2003.

Details of entities

There are no entities over which control has been gained or lost during the period.

Details of associates and joint venture entities

There were no associated companies in which equity was held, nor joint ventures in which the group participated.

Significant information

Refer brief explanation of results

Audit Status

The accounts upon which the information in this Appendix 4E report is based are in the process of being audited.