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PRESS RELEASE**For Immediate Release:****People Telecom Announces Profit for 2006-07**

Sydney – 24 August 2007 – People Telecom (ASX/NZX:PEO) today announced an after-tax profit of \$1.96 million for the financial year ended 30 June 2007.

The profit included the proceeds from the sale during the year of People Telecom's Perth corporate data business.

During the year the People Telecom Group achieved continuing strong growth in data revenue, with business grade data recurring revenue growing by 94%, through increased success in selling and delivering complex data network solutions to business customers. Total data revenue increased by 18% to \$22.6 million, also reflecting growth in the consumer broadband customer base.

The 2006-07 result compares to a loss of \$21,609,667 in 2005-06, which was largely attributable to a write-down in goodwill.

During the year the Group undertook, and continues to undertake, a wide-ranging program designed to address operational and commercial issues and solidify performance going forward.

Although the positive impact of these changes began flowing into the business during the year, the underlying activities were challenged by a combination of factors, including intensified competition, higher than budgeted customer churn and some unbudgeted non-recurring costs. The Group recorded an EBITDA loss of \$1.42 million for the year on continuing operations.

Mobile recurring revenue grew by 2%. Fixed voice revenue was 12% lower, reflecting increased competition in the small-medium enterprise (SME) market and its impact on customer churn and retail price levels. Notwithstanding the revenue reduction, the margin percentage on fixed voice revenue grew from 20.7% to 21.1%.

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Other features for the year ended 30 June 2007 include:

- Total revenue from continuing operations was \$100.9m - a reduction of 4%, driven by the fall in fixed voice revenue.
- Operating expenses were reduced to \$24.3 million. This was a decrease of 2%, despite the inclusion of some non-recurring expenses including some additional accommodation expenses and the costs associated with the reworking of the ADSL-2 service network to deliver a more strategic profitable service going forward.
- Total gross margin was \$22.9m. Gross margin was 22.7% of revenue, down from 23.9% in 2005-06.

The People Telecom Group's mission is to be the preferred provider of communication solutions to small-medium enterprises (SMEs) and the home office market. The Group has a solid business model that with scale will drive bottom line profits. Areas of particular focus within the continuous improvement program include:

Customer Retention

Through re-direction of internal resources a comprehensive customer retention and win-back program is in place to provide customer lifecycle management, cross-sell additional services into the existing customer base and improve overall retention rates.

Margin Management & Revenue Assurance

Strengthened revenue assurance and margin management processes are in place to improve or eliminate lower margin activities and prevent sources of revenue leakage.

Customer Care

Steady and ongoing improvement in our Customer Care performance has been achieved in 2006-07, with improved service levels and productivity gains of up to 40% being realised. Further gains are targeted for 2007-08.

Product Strategy

The Group is scheduled to launch 3G mobile services in October 2007, opening up new data-based revenue streams and providing a stronger platform to compete against existing 3G service providers. Several new SME-focused new products are in the development process and will be launched during 2007-08.

The integration - presently underway - of Ethernet-based aggregation equipment into the capital city points-of-presence (POPs) within the Group's network will facilitate stronger growth of the broadband customer base and the introduction of new value-added services to consumer and small-medium enterprise customers.

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Wholesale Business

A concerted push has commenced to expand the group's wholesale division, which supplies fixed voice, mobile and broadband services to ISP and telcos across Australia.

In July 2007 the Group announced a planned on-market buy-back of People Telecom shares during coming months. The Group plans to buy-back up to 30,782,385 shares (being 10% of the company's share capital).

-ENDS-

About People Telecom

People Telecom (ASX:PEO) is a leading supplier of a broad range of telecommunications products and services, providing a convergence of Voice, Mobile, Data and Hosting. In both the business and consumer segments we follow a simple philosophy: 'listen to our customers and bring them the best in class products and services available in the market' - our customers always come first.

People Telecom, through its **peoplenet 4** web-based customer portal continues to lead the industry with its on-line billing and service management solutions, allowing customers to take full control of their billing and communications.

People Telecom was recently recognised at number six in the BRW Fast 100 Awards

For more information visit: www.peopletelecom.com.au

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Appendix 4E

Preliminary final report Year ended 30 June 2007

PEOPLE TELECOM LIMITED ACN 009 273 152

Results for announcement to the market

				\$A'000
(2.1)The amount and percentage change up or down from the previous corresponding period of revenue from continuing ordinary activities	down	4%	to	100,891
(2.2)The amount and percentage change up or down from the previous corresponding period of profit from ordinary activities after tax attributable to members.	Up	109%	to	1,974
(2.3)The amount and percentage change up or down from the previous corresponding period of net (loss) for the period attributable to members.	Up	109%	to	1,974
(2.4) It is not proposed to declare or pay any dividend in relation to the period.				

Brief explanation of Results

The profit after income tax of the consolidated entity was \$1,964,270 for the financial year ended 30 June 2007 (2006: loss of \$21,609,667).

This result includes:

- A profit after tax from the sale of the Perth Fibre Business and its operations of \$2,626,138. This sale was settled on 31 March 2007. Further information relating to this sale can be found in Note 25 to the Financial Statements.
- A tax credit of \$1,076,000 (2006: \$6,160 tax expense) on recognition of the utilisation prior period tax losses.

During the year the Group continued to show strong growth in data revenue with business grade data recurring revenue growing by 94%, through increased success in selling and delivering complex data network solutions to business customers. Total data revenue increased by 18% to \$22.6 million, also reflecting growth in the consumer broadband customer base.

During the year the Group undertook, and continues to undertake, a wide-ranging program designed to address operational and commercial issues and solidify performance going forward.

Although the positive impact of these changes began flowing into the business during the year, the underlying activities were adversely affected by a combination of factors, including intensified competition, higher than budgeted customer churn and some unbudgeted non-recurring costs. The Group recorded an EBITDA loss of \$1.42 million for the year on continuing operations.

Mobile recurring revenue grew by 2%. Fixed voice revenue was 12% lower reflecting increased competition in the small-medium enterprise (SME) sector and its impact on customer churn and retail price levels. Notwithstanding the revenue reduction, the margin percentage on fixed voice revenue grew from 20.7% to 21.1%.

Other features for the year ended 30 June 2007 include:

- Total revenue from continuing operations was \$100.9m - a reduction of 4%, driven by the fall in fixed voice revenue.
- Operating expenses were reduced to \$24.3 million. This was a decrease of 2%, despite the inclusion of some non-recurring expenses including some additional accommodation expenses and the costs associated with the reworking of the ADSL-2 service network to deliver a more strategic profitable service going forward.
- Total gross margin was \$22.9m. Gross margin was 22.7% of revenue, down from 23.9% in 2005-06.

Revenue of the continuing operations for the year	2007	2006	Growth year on year	% Growth year on year
	\$	\$	\$	
Fixed Voice	57,923,923	65,725,419	(7,801,496)	(12%)
Mobile	20,393,636	20,277,077	116,559	1%
Data	22,573,675	19,196,469	3,377,206	18%
Total	100,891,234	105,198,965	(4,307,731)	(4%)

The Group has commenced and will continue its drive to improve operational efficiencies and commercial arrangements in order to improve customer service, reduce customer churn and generate stronger margins. It will also re-boost its sales activities to deliver top line growth and subsequently economies of scale – a key ingredient to a successful long term Service Provider model.

Areas of particular focus this year include:

Customer Retention

Through re-direction of internal resources a comprehensive customer retention program is in place to provide customer lifecycle management, cross-sell additional services into the existing customer base and improve overall retention rates. Several customer win-back initiatives are also in place.

Margin Management & Revenue Assurance

Strengthened revenue assurance and margin management processes are in place to improve or eliminate lower margin activities and prevent sources of revenue leakage.

Customer Care

Steady and ongoing improvement in our Customer Care performance has been achieved in 2006-07, with productivity gains of up to 40% being realised and service levels greatly improved. Further gains are targeted for 2007-08.

Product Strategy

The Group is scheduled to launch 3G mobile services in October 2007, opening up new data-based revenue streams and providing a stronger platform to compete against existing 3G service providers. Several new SME-focused products are in the development process and will be launched during 2007-08.

The integration - presently underway - of Ethernet-based aggregation equipment into each of the capital city points-of-presence (POPs) within the Group's network will facilitate stronger growth of the broadband customer base and enable the introduction of new value-added services to consumer and business broadband customers.

Wholesale Business

A concerted push has commenced to expand the consolidated entity's wholesale division which supplies fixed voice, mobile and broadband services to ISP and telcos across Australia.

People Telecom Limited
Income Statements
For the year ended 30 June 2007

	Note	Consolidated	
		2007	2006
		\$	\$
Revenue from continuing operations rendering telecommunications services	2	100,891,234	105,198,965
Cost of sales		(78,013,647)	(80,060,041)
Gross margin		<u>22,877,587</u>	<u>25,138,924</u>
		22.7%	23.9%
Operating Costs			
Wages and related expenses		(12,246,499)	(11,579,065)
Advertising and promotion expenses		(298,596)	(525,946)
Billing and collection costs		(1,599,976)	(1,783,474)
Dealer charges		(5,501,443)	(5,948,391)
Insurance		(247,606)	(218,016)
Professional fees		(419,935)	(480,270)
Rental expenditure		(1,188,397)	(857,399)
Other operating expenses		(2,795,648)	(3,451,166)
		<u>(24,298,100)</u>	<u>(24,843,727)</u>
		24.1%	23.6%
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		<u>(1,420,513)</u>	295,197
Depreciation and Amortisation	3	(422,736)	(504,917)
Finance costs	3	(12,392)	(34,071)
Asset impairment loss	3	-	(21,241,233)
Plant and equipment written off		(183,830)	(207,231)
Other income	2	301,603	188,979
(Loss) from ordinary activities before income tax		<u>(1,737,868)</u>	<u>(21,503,276)</u>
Income tax credit (expense) relating to ordinary activities	4	1,076,000	(6,160)
(Loss) from continuing operations		<u>(661,868)</u>	<u>(21,509,436)</u>
Profit (loss) from discontinued operations	25	2,626,138	(100,231)
Profit / (Loss) attributable to members of People Telecom Limited		<u>1,964,270</u>	<u>(21,609,667)</u>
Earnings per share from continuing operations		Cents per share	Cents per share
Basic earnings/(loss) per share	5	(0.22)	(7.01)
Diluted earnings/(loss) per share	5	(0.21)	(7.01)
Earnings per share from Profit / (Loss) attributable to members of People Telecom Limited			
Basic earnings/(loss) per share	5	0.64	(7.04)
Diluted earnings/(loss) per share	5	0.61	(7.04)

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

People Telecom Limited
Balance Sheets
For the year ended 30 June 2007

	Note	Consolidated	
		2007	2006
		\$	\$
Current Assets			
Cash assets	6	7,313,509	4,882,774
Receivables	7	13,649,226	14,138,073
Other	8	3,574,114	3,691,783
Total Current Assets		24,536,849	22,712,630
Non Current Assets			
Other financial assets	9	1,758,000	819,643
Property, plant and equipment	10	764,222	2,766,146
Other	11	311,043	479,561
Goodwill	12	15,000,000	15,000,000
Total Non Current Assets		17,833,265	19,065,350
Total Assets		42,370,114	41,777,980
Current Liabilities			
Payables	13	15,733,668	18,092,253
Interest bearing liabilities	14	188,843	265,789
Provisions	15	512,619	476,780
Other	16	3,606,684	3,142,743
Current tax liabilities		78,000	-
Total Current Liabilities		20,119,814	21,977,565
Non-Current Liabilities			
Interest bearing liabilities	17	63,475	-
Other	18	813,752	585,002
Total Non-Current Liabilities		877,227	585,002
Total Liabilities		20,997,041	22,562,567
Net Assets		21,373,073	19,215,413
Equity			
Contributed equity	19	62,377,038	62,383,448
Reserves	20	199,800	-
Accumulated Losses	21	(41,203,765)	(43,168,035)
Total Equity		21,373,073	19,215,413

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

People Telecom Limited
Statements of Changes in Equity
For the year ended 30 June 2007

		Consolidated	
		2007	2006
		\$	\$
Profit / (Loss) attributable to members of People Telecom Limited		1,964,270	(21,609,667)
Transactions with equity holders in their capacity as equity holders			
Issue of Shares		-	282,968
Share Issue Costs		(6,410)	(2,812)
Share based payments – option expense	20	199,800	-
Net increase (decrease) in Equity		2,157,660	(21,329,511)
Total equity at the beginning of the financial year		19,215,413	40,544,924
Total equity at the end of the financial year		21,373,073	19,215,413

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

People Telecom Limited
Statements of Cash Flows
For the year ended 30 June 2007

	Note	Consolidated	
		2007	2006
		\$	\$
Cash Flow From Operating Activities			
Receipts from customers		112,392,885	119,522,714
Payments to suppliers & employees		(114,301,884)	(117,069,015)
Interest and other income received		301,603	188,979
Interest and borrowing costs paid		(18,270)	(95,125)
Taxation paid		-	(6,160)
Net cash (used in) / generated by operating activities	22	(1,625,666)	2,541,393
Cash Flow From Investing Activities			
Payment for property, plant & equipment		(708,770)	(757,643)
Proceeds from sale of Perth Fibre business	25	5,723,407	-
Security deposits		(938,357)	737,760
Acquisition of customer bases		-	(4,545)
Net cash generated by / (used in) investing activities		4,076,280	(24,428)
Cash Flow From Financing Activities			
Payment of share issue costs		(6,410)	(2,812)
Proceeds from loans		290,990	254,930
Payment of loans		(221,908)	(280,523)
Proceeds of finance leases		115,435	-
Repayment of finance lease principal		(197,986)	(277,308)
Net cash (used in) financing activities		(19,879)	(305,713)
Net increase in cash held		2,430,735	2,211,252
Cash at beginning of the financial year		4,882,774	2,671,522
Cash at the end of the financial year	6	7,313,509	4,882,774

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 2007

Note 1: Statement of Significant Accounting Policies

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards (AIFRS), Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards.

It has been prepared on an accruals basis and is based on historical costs and except where stated does not take into account changing money values or current valuations of non-current assets.

The preparation of this financial report requires the consolidated entity to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The material area where the consolidated entity has made judgements and estimates that has significant effect on the financial report is in respect of any impairment of assets. The estimates in respect of this are detailed in note 12 of the financial statements.

The accounting policies adopted in the preparation of the preliminary financial report are consistent with those adopted and disclosed in the 30 June 2006 Annual Report.

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2007

	Consolidated	
	2007	2006
	\$	\$
Note 2: Revenue from ordinary activities		
<i>(a) Continuing operations</i>		
Revenue from rendering telecommunications services	100,891,234	105,198,965
Other revenue		
Interest income	298,219	188,979
Other income	3,384	-
	301,603	188,979
	101,192,837	105,387,944
 <i>(b) Discontinued operations</i>		
Revenue from rendering telecommunications services	4,453,493	5,582,626
 Note 3: (Loss) from ordinary activities		
<i>Expenses from ordinary activities in respect of continuing operations include the following:</i>		
Borrowing costs expensed		
Interest expense		
- Finance lease	11,844	31,688
- Other	548	2,383
Total borrowing costs	12,392	34,071
Asset impairment loss	-	21,241,233
Depreciation - plant and equipment	422,736	500,372
Amortisation - customer acquisition costs	-	4,545
Total depreciation and amortisation	422,736	504,917
Movement in allowance for doubtful debtors	343,256	487,280
Bad debts written off	834,205	793,551
Movement in provision for employee entitlements	35,839	35,692
Auditors' Remuneration:		
Auditing or reviewing the financial report		
Pitcher Partners	116,725	104,128
Other Services		
Pitcher Partners	25,280	43,500

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2007

	Consolidated	
	2007	2006
	\$	\$
Note 4: Income Tax Expense		
<i>(a) Major components of tax expense</i>		
Current tax expense (income)	893,919	(263,491)
Deferred tax expense relating to the origination and reversal of temporary differences	(210,392)	129,975
Deferred tax asset in respect of current tax expense (income) not recognised	-	263,491
Deferred tax income relating to temporary differences not previously recognised as an asset	210,392	(129,975)
Deferred tax income relating to tax losses not previously recognised as an asset	(815,919)	-
Under provided tax in prior year	-	6,160
 Tax expense	78,000	6,160
 Income tax expense attributable to:		
Loss from continuing operations	(1,076,000)	6,160
Gain on sale of discontinued operations	1,154,000	-
 Tax expense	78,000	6,160

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2007

	Consolidated	
	2007	2006
	\$	\$
Note 4: Income Tax Expense		
<i>(b) Explanation of the relationship between tax expense and accounting loss</i>		
The prima facie tax benefit on operating loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Loss from continuing operations before income tax	(1,737,868)	(21,503,276)
Profit from discontinued operations before income tax	(148,691)	(100,231)
Gain on sale of discontinued operations	3,928,829	-
	2,042,270	(21,603,507)
Income tax expense (credit) at 30% (2005: 30%)	612,681	(6,481,052)
Tax effect of expenses that are not deductible in determining taxable profit:		
Asset impairment loss	-	6,372,369
Non-deductible costs	94,555	50,254
Tax effect of items deductible in determining taxable profit:		
Other deductible items	(23,709)	(23,709)
Deferred tax income relating to temporary differences not previously recognised as an asset	210,392	-
Tax effect of tax loss not recognised as an asset	(815,919)	82,138
Under provided tax in prior year	-	6,160
Income tax expense	78,000	6,160

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2007

	Consolidated	
	2007	2006
	\$	\$
Note 4: Income Tax Expense		
<i>(c) Deferred tax assets not recognised in the balance sheet</i>		
Temporary differences	200,697	(9,695)
Estimated and unconfirmed unused tax losses	5,654,082	6,443,272
	5,854,779	6,433,577

The potential future income tax benefits arising from estimated and unconfirmed tax losses has not been recognised as an asset and will only be obtained if:

- i. Assessable income is derived of a nature and of an amount sufficient to enable such benefits to be realised;
- ii. Conditions for deductibility imposed by the relevant law are complied with; and,
- iii. No changes in the tax legislation adversely affect the realisation of the benefit from the deduction.

(d) Summary of temporary differences not recognised in the balance sheet

Amounts only deducted for taxation when paid:

Doubtful debts	427,456	324,479
Employee provisions	153,786	143,034
Staff related accruals	225,295	128,136
Other operating costs	183,008	159,632
Differences between accounting and tax carrying value of property, plant and equipment	221,560	270,765
Customer acquisition costs not yet expensed but deducted for taxation when paid	(989,677)	(1,034,816)
Unearned income included in taxable income when received	(20,731)	(925)
	200,697	(9,695)

Deferred tax asset / (liability) not recognised in the balance sheet

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2007

	Consolidated	
	2007	2006
	\$	\$
Note 5: Earnings per share		
<i>(a) Continuing operations</i>		
Basic earnings/(loss) per share (cents per share)	(0.22)	(7.01)
Diluted earnings/(loss) per share (cents per share)	(0.21)	(7.01)
Net (Loss) used in the calculation of basic and diluted EPS	(661,868)	(21,509,436)
<i>(b) Discontinuing operations</i>		
Basic earnings/(loss) per share (cents per share)	0.85	(0.03)
Diluted earnings/(loss) per share (cents per share)	0.82	(0.04)
Net Profit (Loss) used in the calculation of basic and diluted EPS	2,626,138	(100,231)
<i>(c) Total</i>		
Basic earnings/(loss) per share (cents per share)	0.64	(7.04)
Diluted earnings/(loss) per share (cents per share)	0.61	(7.04)
Net Profit (Loss) used in the calculation of basic and diluted EPS	1,964,270	(21,609,667)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	307,823,854	306,760,483
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS	320,823,854	306,760,483

Options on issue at 30 June 2007 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2007

	Consolidated	
	2007	2006
	\$	\$
Note 6: Cash assets		
Cash at bank	1,310,904	4,163,924
Deposits	6,000,000	716,000
Cash on hand	2,605	2,850
	7,313,509	4,882,774

Note 7: Receivables (current)

Trade debtors (billed and unbilled)	15,046,395	15,126,253
Allowance for doubtful debtors	(1,424,852)	(1,081,596)
	13,621,543	14,044,657
Other debtors	27,683	93,416
	13,649,226	14,138,073

Terms and conditions relating to the above financial instruments:

- (i) Trade debtors are non-interest bearing and generally on 14 to 30 day terms
- (ii) Other debtors are non-interest bearing and generally on 30 day terms

Note 8: Other assets (current)

Prepayments	586,235	721,959
Deferred upfront commission costs – mobile customers	1,840,936	2,009,599
Unbilled handset revenue	580,091	585,903
Deferred upfront commission costs – fixed wire customers	139,165	81,455
Subsidised connection costs – broadband customers	347,066	257,147
Deferred VOIP handset costs	-	35,720
Other deferred costs	80,621	-
	3,574,114	3,691,783

Note 9: Other financial assets (non-current)

Deposits ⁽¹⁾	1,758,000	819,643
	1,758,000	819,643

(1) These financial assets are provided as security for bank guarantees given to third parties.

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2007

	Consolidated	
	2007	2006
	\$	\$
Note 10: Property, plant and equipment		
Telecommunications Infrastructure - at cost	144,749	2,485,318
Less accumulated depreciation	(4,799)	(687,649)
	139,950	1,797,669
Office plant and equipment - at cost	1,281,016	942,309
Less accumulated depreciation	(1,170,521)	(561,461)
	110,495	380,848
Leased plant and equipment - at cost	115,435	629,355
Less accumulated depreciation	(12,986)	(514,472)
	102,449	114,883
Leasehold improvements – at cost	431,474	381,720
Less accumulated depreciation	(183,959)	(116,017)
	247,515	265,703
Computer equipment, software and website development - at cost	598,103	456,310
Less accumulated depreciation	(434,290)	(249,267)
	163,813	207,043
Total property, plant and equipment	764,222	2,766,146

Assets pledged as security:

Assets under lease are pledged as security for the associated lease liabilities.

Note 11: Other assets (non-current)

Deferred upfront commission costs – mobile customers	197,811	362,688
Unbilled handset revenue	68,992	50,465
Subsidised connection costs – broadband customers	44,240	66,408
	311,043	479,561

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2007

	Consolidated	
	2007	2006
	\$	\$
Note 12: Goodwill		
Goodwill at cost	38,148,666	38,148,666
Less asset impairment loss	(23,148,666)	(23,148,666)
	15,000,000	15,000,000

The goodwill above which has an indefinite useful life was generated upon the acquisition of the People Telecommunications Pty Limited group of companies in June 2004. The impairment testing compares the carrying value of goodwill with the recoverable amount of the underlying cash generating unit of the People Telecommunications Pty Limited business (CGU). This recoverable amount is determined using a value in use calculation.

The assumptions for determining the recoverable amount of goodwill is based on past experience and our expectations of the future. These include:

- (i) Pre tax discount rate of 19.29% (2006:15.71%) which is based on the current market assessments of the time value of money and the risks specific to the CGU.
- (ii) The cash flow projections are based on the forecast for the 2007 / 2008 year for the CGU, plus a growth rate of 2.5% (2006: 2.5%). This growth rate is based on the expectation of the CGU's long term performance.

Note 13: Payables

Trade creditors	9,462,530	10,615,828
Accrued expenses	6,271,138	7,476,425
	15,733,668	18,092,253

Terms and conditions relating to the above financial instruments:

- (i) Trade creditors are non-interest bearing and normally settled on 30 to 45 day terms.

Note 14: Interest bearing liabilities (current)

Lease Liabilities	43,348	189,375
Borrowings	145,495	76,414
	188,843	265,789

Note 15: Provisions (current)

Employee entitlements	512,619	476,780
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People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2007

	Consolidated	
	2007	2006
	\$	\$
Note 16: Other liabilities (current)		
Unearned Income - Carrier Commissions / Subsidies	1,701,776	1,354,502
Unearned income – other	1,904,908	1,788,241
	3,606,684	3,142,743
 Note 17: Interest bearing liabilities (non current)		
Lease Liabilities	63,475	-
	63,475	-
 Note 18: Other liabilities (non current)		
Unearned Income - Carrier Commissions / Subsidies	813,752	585,002
	813,752	585,002
 Note 19: Contributed equity		
(a) Issued and paid up capital		
307,823,854 fully paid ordinary shares (2006: 307,823,854)	62,377,038	62,383,448
	62,377,038	62,383,448
	2007	2007
	Number	\$
 (b) Movements in fully paid ordinary shares		
At the beginning of the financial year	307,823,854	62,383,448
Share issue costs	-	(6,410)
	307,823,854	62,377,038

(c) Terms and conditions of Contributed Equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of surplus assets in proportion to the number of, and amounts paid up, on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(d) On-market Share buy-back

On 19 July 2007 the consolidated entity announced a planned on-market buy-back of the company's shares during coming months. The company proposes to buy-back up to 30,782,385 shares (being 10% of People Telecom's share capital).

This on-market buy-back will commence following the release of People Telecom's results for the 2006-07 financial year, on or before 28 August 2007.

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2007

	Consolidated	
	2007	2006
	\$	\$
Note 20: Reserves		
Share-based payments reserve	199,800	-
Movements in share-based payments reserve		
Balance at the beginning of the year	-	-
Option expense	199,800	-
	199,800	-
Note 21: Accumulated losses		
Accumulated losses at the beginning of the year	43,168,035	21,558,368
Net (profit) / loss from ordinary activities after income tax	(1,964,270)	21,609,667
Accumulated losses at the end of the financial year	41,203,765	43,168,035
Note 22: Cash Flow Information		
<i>Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax</i>		
Profit (Loss) from ordinary activities after income tax	1,964,270	(21,609,667)
Add non-cash items:		
Allowance for doubtful debtors	858,269	793,551
Amounts set aside to provisions	35,839	35,693
Asset impairment loss	-	21,241,233
Depreciation and amortisation	714,956	771,389
Share based payments	313,915	282,968
Plant and equipment written off	201,159	208,231
Profit on sale of Perth Fibre business	(3,928,829)	-
Net cash (used in) / generated by operating activities before change in assets and liabilities	159,579	1,723,398
Changes in assets and liabilities:		
(Increase)/Decrease in trade debtors	(435,156)	858,435
Decrease in other receivables	-	360,532
Decrease/(Increase) in current prepayments	3,553	(273,402)
Decrease in other assets	234,251	9,660
(Decrease)/Increase in trade creditors and accruals	(2,358,584)	374,782
Increase in current tax liabilities	78,000	-
Increase/(Decrease) in unearned income	692,691	(512,012)
Cash Flows from Operating Activities	(1,625,666)	2,541,393

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2007

Note 23: Subsequent Events

On 19 July 2007 the company announced a planned on-market buy-back of the company's shares during coming months. The company proposes to buy-back up to 30,782,385 shares (being 10% of the company's share capital).

This on-market buy-back will commence following the release of People Telecom's results for the financial year ended 30 June 2007, on or before 28 August 2007.

Note 24: Contingent Liabilities

In pursuing debt recovery action against two former customers of the consolidated entity, the former customers have cross claimed against the consolidated entity and another party, for loss of profits (\$4.4 million), loss of opportunity (\$11.7 million) and costs incurred. The matter remains at an early stage and full particulars of the cross claims by the former customers have yet to be obtained.

The Directors of the consolidated entity deny the allegations made in the cross claims and based on the information currently available are of the opinion that the consolidated entity will not suffer a material loss.

Note 25: Discontinued Operations

(a) Description

On 31 March 2007, the consolidated entity settled the sale of its Perth Fibre business. This involved the sale of certain assets and customer agreement of the consolidated entity but did not involve the sale of any subsidiary. The business unit sold is reported in this financial report as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2007

Note 25: Discontinued Operations (con't)

(b) Financial performance and cashflow information

The financial performance and cash flow information presented are for the nine months ended 31 March 2007 and the year ended 30 June 2006.

	Consolidated	
	2007	2006
	\$	\$
Revenue from rendering telecommunications services	4,453,493	5,582,626
Cost of sales	(1,992,210)	(2,577,002)
Gross margin	<u>2,461,283</u>	<u>3,005,624</u>
	55.3%	53.8%
Operating Costs	(2,294,547)	(2,777,329)
	51.5%	49.7%
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	<u>166,736</u>	<u>228,295</u>
	3.8%	4.1%
Depreciation and Amortisation	(292,220)	(266,472)
Finance costs	(5,878)	(61,054)
Plant and equipment written off	(17,329)	(1,000)
(Loss) from ordinary activities before income tax	<u>(148,691)</u>	<u>(100,231)</u>
Income tax credit (expense) relating to ordinary activities	-	-
(Loss) from discontinued operations	<u>(148,691)</u>	<u>(100,231)</u>
Gain on sale of the business before income tax	3,928,829	-
Income tax expense	(1,154,000)	-
Gain on sale of the business after income tax	<u>2,774,829</u>	-
Profit (loss) from discontinued operations	<u>2,626,138</u>	<u>(100,231)</u>

People Telecom Limited
Notes to the Preliminary Final Report
For the year ended 30 June 2007

Note 25: Discontinued Operations (con't)

	Consolidated	
	2007	2006
	\$	\$
Net Cash inflow from operating activities	160,858	167,241
Net cash inflow (outflow) from investing activities (2007 includes the inflow of \$5,723,407 from the sale of the Perth Fibre business)	5,706,078	(1,000)
Net increase in cash generated by the Perth Fibre business	5,866,936	166,241

(c) Carrying amounts of assets and liabilities

The carrying value of assets and liabilities as at 31 March 2007 and 30 June 2006 are set out below.

	Consolidated	
	2007	2006
	\$	\$
Property Plant and Equipment	1,794,578	2,086,798
Total Assets	1,794,578	2,086,798
Net Assets	1,794,578	2,086,798

(d) Details of sale of the business

	Consolidated	
	2007	2006
	\$	\$
Consideration received for sale of the business	6,250,000	-
Costs associated with the sale including redundancy of staff not transferred	(526,593)	-
Net consideration on sale	5,723,407	-
Carrying amount of the assets sold	1,794,578	-
Gain on sale before income tax	3,928,829	-
Income tax expense	(1,154,000)	-
Gain on sale after income tax	2,774,829	-

People Telecom Limited
Supplementary Information to the Preliminary Final Report
For the year ended 30 June 2007

Dividends

There were no dividends declared or paid during the year ended 30 June 2007, nor are any planned to be declared in relation to the year ended 30 June 2007.

As there is no dividend declared or planned to be declared in relation to the year ended 30 June 2007, 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.

2007	2006
2.0 cents	1.4 cents

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 on page 4.

Audit Status

This preliminary final report is based upon the consolidated entity's financial report which has been audited. Refer to the Annual Financial Report for the year ended 30 June 2007 for the independent audit report to the members of People Telecom Ltd.