

PEOPLE TELECOM LIMITED  
(formerly Swiftel Limited)  
ACN 009 273 152

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

# COMPANY DIRECTORY

## DIRECTORS

Barry John Hamilton (Non Executive Chairman)  
Ryan Michael O'Hare (Chief Executive Officer & Executive Director)  
Brendan William Fleiter (Non-Executive)  
Colin Joseph Marland (Non-Executive)  
David Vilensky (Non-Executive)  
Martin Edward Wylie (Non-Executive)

## COMPANY SECRETARY

Wayne Robert Wanders

## REGISTERED OFFICE

Level 18 QV1 Building  
250 St George's Terrace  
Perth WA 6000

## HEAD OFFICE

Level 9, People Telecom Centre  
76 Berry Street  
North Sydney NSW 2060  
Telephone: (02) 9458 5808  
Facsimile (02) 9458 5800  
Email: [mail@peopletelecom.com.au](mailto:mail@peopletelecom.com.au)  
Website: [www.peopletelecom.com.au](http://www.peopletelecom.com.au)

## AUDITORS

Pitcher Partners

## SOLICITORS

Steinpreis Paganin  
Bowen Buchbinder Vilensky

## BANKERS

St George Bank  
Bank of Western Australia

## SHARE REGISTRY

Computershare Investor Services  
Level 2, Bank Building, 45 St Georges Terrace  
Perth WA 6000  
Telephone: (08) 9323 2000  
Facsimile: (08) 9323 2033

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People Telecom Limited  
(formerly Swiftel Limited)  
Directors' Report

Your directors present their report on the consolidated entity for the financial year ended 30 June 2004.

Directors

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

Name, Qualifications and Special Responsibilities	Experience
Barry John Hamilton B Com., FCA Non-Executive Chairman	<p>Mr Hamilton was one of the co-founders of People Telecommunications Limited (formerly People Telecom Limited) and served as a Director since its inception in 2000. Mr Hamilton is an experienced public company director with significant experience in capital and financial raisings and project management. Mr Hamilton spent 12 years with Hudson Conway Limited where he was a member of the Board and the Director of Finance and Administration from 1990 to 1999. Mr Hamilton was a Non-Executive Director of Crown Limited from its establishment in 1993 until the merger of Crown Limited and Publishing and Broadcasting Limited in June 1999.</p> <p>Mr Hamilton is Chairman of Directors of the Crazy John's group of companies and director of several unlisted public companies. Appointed 29 June 2004</p>
Ryan Michael O'Hare Chief Executive Officer and Executive Director	<p>Mr O'Hare was one of the co-founders of People Telecommunications Limited (formerly People Telecom Limited) and served as a Director and its Chief Executive Officer since its inception in 2000. Mr O'Hare was also one of the two co-founders of the corpTEL group of companies, and served as its Chairman and Chief Executive Officer since its inception in January 1994 through to its sale to AAPT Limited in 1998. In 1998, prior to its sale to AAPT, corpTEL was one of Australia's largest and most successful privately owned telecom service providers with revenues exceeding \$AUS100m. Prior to this, Mr O'Hare managed Australia's leading energy and telecommunications cost management company, Professional Energy Services Pty Ltd, serving as its General Manager in Sydney and Los Angeles. Appointed 29 June 2004</p>
Brendan William Fleiter LLB, BJuris Non-Executive Director	<p>Mr Fleiter is Managing Director of the Crazy John's group of companies and brings substantial experience in the distribution of telecommunications products and services in Australia. He is also a qualified lawyer. Appointed 29 June 2004</p>

People Telecom Limited  
(formerly Swiftel Limited)  
Directors' Report

Colin Joseph Marland  
Non-Executive Director

Mr Marland has more than 20 years experience in the telecommunications industry and specialises in the conception and start-up phase of telecommunications companies and has successfully listed several companies on ASX. Mr Marland was a co-founder of People Telecommunications Limited (formerly People Telecom Limited) and the corpTEL Group prior to its sale in 1998 to AAPT Limited. He has served on the Board of the Telecommunications Ombudsman and several listed telecommunications companies and is also the CEO of the Chifley Group.

Appointed 12 September 2003

David Vilensky BA LLB  
Non-Executive Director

Mr Vilensky is a practising solicitor and managing partner of Perth law firm Bowen Buchbinder Vilensky. He has more than 20 years of experience in the field of corporate and business law and in commercial and corporate management. Mr Vilensky has acted for a number of listed and public companies.

Appointed 28 August 2001

Martin Edward Wylie LLB  
Non-Executive Director

Mr Wylie is a very experienced senior executive and company director. He has extensive experience in a wide range of businesses including telecommunications and internet service provision. Mr Wylie spent nine years as company secretary and general counsel of Telecom Corporation of New Zealand. He was most recently the Chief Executive Officer of Trans-Tasman ISP iHug, which was recently merged with Iinet.

Appointed 1 September 2004

Saliba Sassine  
Former Non-Executive  
Chairman

Dr Sassine is an experienced director, who has over 15 years experience with several public companies with particular emphasis on the technology sector.

Resigned 29 June 2004

Christopher Gale  
Former Chief Executive Officer  
and Executive Director

Mr Gale, the founder of Swiftel Communications Pty Ltd, has more than 14 years experience in the data communications field, servicing customer needs for high quality data communications products and services, particularly in Perth. Mr Gale also has substantial experience in the emerging technologies for communications networks and has developed solid relationships with technology manufacturers and vendor suppliers.

Resigned 29 June 2004

People Telecom Limited  
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Directors' Report

Malcolm Dick  
Non-Executive Director

Mr Dick has extensive experience in the telecommunication industry including roles as the CEO of Netway Telecommunications, a joint venture between Telecom NZ and Freightways Group. Mr Dick has subsequently established Call Australia Pty Ltd, a switchless carrier that was sold to RSLCOM. Mr Dick is currently a part owner of CallPlus Limited, which is New Zealand's third-largest fixed line carrier and Slingshot, a dial-up Internet Service Provider. He is also a director and shareholder of Argent Networks Limited.  
Appointed 12 September 2003  
Resigned 1 September 2004

Adrian Paul  
Non-Executive Director

Mr Paul has spent his career working in financial markets following completion of a business degree. He has 15 years experience in investment firms and during that time has held senior positions including a period as partner. Presently, Mr Paul runs his own capital raising business for clients. He is also a director of listed company Sylvania Resources Limited.  
Resigned 29 June 2004

Company Secretary

Name, Qualifications and  
Special Responsibilities  
Wayne Robert Wanders  
B Com., CA

Experience

Mr Wanders is also the Chief Financial Officer of the consolidated entity and has significant finance experience including more than 10 years in the telecommunication industry.  
Appointed 29 June 2004

People Telecom Limited  
(formerly Swiftel Limited)  
Directors' Report

Meetings of directors

The number of Directors' meetings held (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year were:

Director	Board Meetings		Audit Committee		Remuneration Committee		Corporate Governance Committee		Management Committee		
	A	B	A	B	A	B	A	B	A	B	
B. Hamilton	-	-	-	-	-	-	-	-	-	-	-
R. O'Hare	-	-	-	-	-	-	-	-	-	-	-
B. Fleiter	-	-	-	-	-	-	-	-	-	-	-
C. Marland	8	8	-	-	-	-	-	-	-	-	-
D. Vilensky	9	9	2	2	-	-	-	-	-	-	-
M. Wylie	-	-	-	-	-	-	-	-	-	-	-
S. Sassine	9	9	2	2	-	-	-	-	-	-	-
C. Gale	9	9	-	-	-	-	-	-	-	-	-
M. Dick	6	8	-	-	-	-	-	-	-	-	-
A. Paul	8	9	-	-	-	-	-	-	-	-	-

A- Number of meetings attended

B- Number of meetings held during the time the director held office during the financial year.

Committee Membership

At the date of this report, the consolidated entity had an Audit Committee, a Remuneration Committee, Corporate Governance Committee and a Management Committee.

Members acting on the committees of the Board were:

Audit	Remuneration	Corporate Governance	Management
B. Hamilton (c)	B. Fleiter (c)	C. Marland (c)	B. Hamilton (c)
C. Marland	B. Hamilton	B. Fleiter	R. O'Hare
S. Sassine			B. Fleiter
D. Vilensky			C. Marland

Notes: (c) Designates the Current Chairman of the Committee

People Telecom Limited  
(formerly Swiftel Limited)  
Directors' Report

### Directors' Security Holdings

As at the date of this report the directors' share and option holdings and relevant interests therein were:

	Fully Paid Ordinary Shares	Listed Options	Unlisted Options
B. Hamilton	33,725,758	-	-
R. O'Hare	48,736,090	-	-
B. Fleiter	67,351,515	-	-
C. Marland	46,640,355	-	-
D. Vilensky	537,500	-	1,000,000
M. Wylie	500,000	-	-

### Principal Activities

The principal activity of the consolidated entity during the course of the financial year was the provision of telecommunications services to the Australian corporate and public markets.

### Review and Results of Operations

Revenue for the financial year has increased by \$12,280,309 (308%) to \$16,266,228. 91% (\$11,219,689) of this growth is from the Swiftbroadband business that the consolidated entity launched during the previous financial year. This business had over 23,000 connections at 30 June 2004. The balance of the revenue growth has come from strong sales of data communications services to the corporate market.

In addition to the organic growth above, the consolidated entity completed the acquisition of People Telecommunications Limited (formerly People Telecom Limited) on 29 June 2004. The revenue, net loss from ordinary activities and the cash flow from operating activities do not include any contribution from People Telecommunications Limited.

The loss from ordinary activities after income tax of the consolidated entity was \$4,772,812 for the financial year ended 30 June 2004 (2003: \$3,472,818). The loss includes a write down of assets of \$1,270,006 that results from the adoption of a more conservative accounting approach to recognising carried forward expenses for equipment costs and telecommunications infrastructure.

### Dividends

No dividends have been paid or declared since the start of the financial year.

### Employees

The consolidated entity employed 116 people at 30 June 2004 (30 June 2003: 22).

People Telecom Limited  
(formerly Swiftel Limited)  
Directors' Report

### Significant Changes in State of Affairs

As stated above, the consolidated entity acquired People Telecommunications Limited (formerly People Telecom Limited) on 29 June 2004.

As a result of this acquisition, a number of changes were made to the company's capital structure. These include the:

- Allotment and issue of 35,522,883 fully paid ordinary shares, before the consolidation of capital referred to below, in the capital of the company to accepting holders of listed options in consideration for the cancellation of two (2) options for every one (1) fully paid ordinary share in the company;
- Consolidation of every two (2) fully paid ordinary shares in the capital of the company into one (1) fully paid ordinary share;
- Allotment and issue of 195,754,545 fully paid ordinary shares, as consideration for the acquisition of all the issued shares in People Telecommunications Limited (formerly People Telecom Limited); and
- Allotment and issue of 10,000,000 fully paid ordinary shares in the capital of the company at an issue price of 20 cents per share.

Other significant changes during the financial year included the allotment and issue of:

- 14,000,000 fully paid ordinary shares at six (6) cents per share and the granting of 14,000,000 free listed options to raise \$840,000; and
- 20,000,000 fully paid ordinary shares at 11.5 cents per share to raise \$2,300,000.

Note 20 to the Financial Statements sets out the capital structure of the company post these events.

### After Balance Date Events

There have not been any significant events occurring after 30 June 2004 up to date of this report.

### Future Developments

An aggressive integration plan for the former Swiftel and People Telecom businesses has been implemented by management to achieve the benefits of the merger as quickly as possible. This has involved an extensive renegotiation of contracts with all major suppliers, reductions in surplus headcount, renegotiation of rental facilities, reductions in operating costs and integration of the group's call centre and sales operations.

The directors are confident that significant revenue increases and profit improvement will be achieved in 2005 as a result of:

- the inclusion of the profitable People Telecommunications Limited (formerly People Telecom Limited) business;
- the merger allowing the group to offer a full suite of telecommunications products - voice, mobile, data, broadband and equipment - to the corporate, SME and consumer sectors;
- improved wholesale arrangements with major suppliers that enable the group to offer competitive pricing while maintaining viable profit margins; and,
- significant growth in business and consumer demand for broadband services.

People Telecom Limited  
(formerly Swiftel Limited)  
Directors' Report

#### Environmental issues

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

#### Share Options

As at the date of this report, there were 5,388,049 unissued ordinary shares under options (5,388,049 at reporting date). Refer to Note 20(e) of the Financial Statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the issue of any other registered scheme.

During the financial year, employees have exercised the option to acquire 150,000 fully paid ordinary shares in the company at a weighted average exercise price of 5 cents (pre consolidation). Since the end of the financial year no further options have been exercised.

#### Indemnification and Insurance of Directors and Officers

During the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has entered into a directors' & officers' insurance contract on 14 January 2004 for the purpose of insuring against any liability that may arise from the directors carrying out their duties and responsibilities in their capacity as officers of the company. The amount of the premium was \$47,660.

#### Remuneration policy of directors and officers

The Remuneration Committee of the Board of Directors is responsible for determining and recommending to the Board of Directors remuneration arrangements for the directors, the chief executive officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emolument to the company's financial and operational performance. All senior executives have the opportunity to qualify for participation in the Executive Share Incentive Plan, which currently provides share incentives where specified criteria are met.

People Telecom Limited  
(formerly Swiftel Limited)  
Directors' Report

**Directors' And Officers' Emoluments**

The following table sets out the remuneration received by the directors of the company during the financial year.

	Primary			Post Employment	Total
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Superannuation	
B. Hamilton	"	"	"	"	"
R. O'Hare	"	"	"	"	"
M. Dick	13,333	"	"	"	13,333
B. Fleiter	"	"	"	"	"
C. Gale	220,900	"	"	8,416	228,916
C. Marland	13,500	"	"	"	13,500
A. Paul	16,000	"	"	"	16,000
S. Sassine	24,000	"	"	"	24,000
D. Vlenisky	20,066	"	"	"	20,066
M. Wylle	"	"	"	"	"

**Emoluments of the five most highly paid executive officers of the company and consolidated entity**

During the financial year, Mr O'Hare and Mr Gale were the only executive officers of the company. Details of his remuneration are noted in the table above.

**Corporate Governance**

In recognising the need for the highest standard of corporate behaviour and accountability, the directors' support and have adhered to the principles of Corporate Governance. The Company's Corporate Governance Statement is contained in the following section of this annual report.

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

  
 \_\_\_\_\_  
 Barry Hamilton  
 Chairman

Dated this 30<sup>th</sup> day of September 2004

People Telecom Limited  
(formerly Swiftel Limited)  
Corporate Governance Statement

The Board of Directors of People Telecom Limited (formerly Swiftel Limited) is responsible for the Corporate Governance of the consolidated entity. The Directors aspire to the highest standards of corporate governance that could be deemed appropriate for a company of People Telecom Limited's nature, size and activities.

Set out below are the key components of the Corporate Governance principles adopted by the Board. These components are set out consistent with the "Principles of Good Corporate Governance and Best Practice Recommendations" as released by the ASX Corporate Governance Council.

*Lay solid foundations for management and oversight*

The Board of Directors is responsible for setting the strategic direction and establishing the policies of People Telecom Limited, for overseeing the financial position, and for monitoring the business and affairs on behalf of the shareholders, by whom they are elected and to whom they are accountable.

Responsibilities of management are delineated by formal authority delegations.

*Structure the Board to add value*

Due to the fact that:

- Each of the four substantial shareholders (who control over 64% of the issued capital of the Company), has a representative on the Board of Directors;
- Each of these four representatives has valuable and necessary skills, experience and expertise that the Board wishes to utilize,

then it is not considered appropriate that a majority of the Board should be independent directors and that the Chairman should be independent. The only two independent directors are Mr Vilensky and Mr Wylie.

The qualifications, skills and experience of all members of the Board are set out in the Directors' Report.

Also given the small size of the Board, it is not considered appropriate that a separate Nomination Committee be set up. In respect of selecting new directors, the Board will assess the skills, experience and expertise of each of the prospective candidates in line with those skills, experience and expertise deemed necessary by the Board.

The Constitution of the Company allows in certain circumstances, directors, to seek independent professional advice at the company's expense. The Board is currently reviewing circumstances not covered by the Constitution.

People Telecom Limited  
(formerly Swiftel Limited)  
Corporate Governance Statement

*Promote ethical and responsible decision making*

The Board actively promotes ethical and responsible codes of conduct by all of its staff.

In addition to the legal restrictions of trading securities whilst in possession of unpublished price sensitive information concerning the consolidated entity, the Board has determined that all directors and senior management of the consolidated entity, will be under an obligation to not trade in the Company's securities during the following periods.

1. Between 1 January of each year until such time as the half year financial results of the Company are released to the ASX; and,
2. Between 1 July of each year until such time as the full year financial results of the Company are released to the ASX.

*Safeguard integrity in financial reporting*

Whilst the consolidated entity has established an audit committee, this committee is currently chaired by Mr Hamilton who is the Chairman of the Board of Directors and is also not considered to be independent. In light of the size of the Board and the financial experience and qualifications of the Directors, Mr B. Hamilton was considered to be the most appropriate person to chair this committee.

The responsibilities of the Audit Committee are to oversee:

- the groups accounting policies and practices;
- the integrity of the financial statements and reports;
- the scope, quality and independence of the external audit arrangements;
- the effectiveness of risk management; and,
- the adequacy of insurance programs.

*Make timely and balanced disclosure*

The consolidated entity has in place processes to ensure that company announcements are factual, made in a timely manner and do not omit material information.

*Respect the rights of shareholders*

The consolidated entity is currently reviewing the most effective and efficient way in which it communicates with shareholders and is updating its website to meet the guidelines.

*Recognise and manage risk*

The risk profile of the Company will be monitored by the Audit Committee who assesses key risks at least annually (generally in line with the renewal of the consolidated entity's insurance programme).

People Telecom Limited  
(formerly Swiftel Limited)  
Corporate Governance Statement

*Encourage enhanced performance*

Given the changes in the Board during the past year, no formal performance evaluation of any Board member was conducted during the current financial year. The performance of the Board and key executives will be regularly reviewed against both measurable and qualitative indicators.

*Remunerate fairly and responsibly*

The remuneration policy of the consolidated entity is set out in both the Directors' Report and Note 25(c) to the Financial Statements. The consolidated entity does have a Remuneration Committee (the membership of which is detailed in the Directors' Report). Consistent with the Board's views in respect of a majority of independent directors mentioned above, it is not considered appropriate that the Remuneration Committee be chaired by, or consists of, a majority of independent directors.

*Recognise the legitimate interests of stakeholders*

As stated previously, the Board actively promotes ethical and responsible codes of conduct by all of its staff.

People Telecom Limited  
(formerly Swiftel Limited)  
Statements of Financial Performance  
For the year ended 30 June 2004

	Note	Consolidated		The Company	
		2004	2003	2004	2003
		\$	\$		\$
Revenues from ordinary activities	2	16,266,228	3,985,919	56,448	119,954
Cost of Sales		(12,600,200)	(2,089,652)	-	-
Wages and related expenses		(2,195,197)	(1,164,676)	(186,277)	(1,164,676)
Advertising and promotion expenses		(226,919)	(116,197)	(75,689)	(115,123)
Billing and Collection costs		(369,194)	(20,686)	(6,080)	-
Borrowing Costs	3	(137,509)	(95,312)	(11,937)	(37,340)
Dealer Charges		(346,878)	(30,520)	-	-
Deferred costs written off		-	(42,346)	-	-
Depreciation and amortisation	3	(862,333)	(613,587)	(163,468)	(176,371)
Goodwill written off		-	(1,451,096)	-	(1,451,096)
Insurance		(142,766)	(91,865)	(49,054)	(91,865)
Professional Fees		(409,710)	(403,705)	(278,555)	(398,401)
Rental expenditure		(1,178,519)	(650,744)	(14,382)	(295,692)
Recoverable amount written off		(1,270,005)	-	(211,137)	-
Other expenses from ordinary activities	3	(1,299,810)	(688,451)	(218,430)	(487,637)
(Loss) from ordinary activities before income tax		(4,772,812)	(3,472,818)	(1,158,561)	(4,098,247)
Income tax expense relating to ordinary activities	4	-	-	-	-
(Loss) attributable to members of People Telecom Limited (formerly Swiftel Limited)		(4,772,812)	(3,472,818)	(1,158,561)	(4,098,247)
Total changes in equity other than those resulting from transactions with owners as owners		(4,772,812)	(3,472,818)	(1,158,561)	(4,098,247)
Basic earnings/(loss) per share (cents per share)	6	(6.3)	(7.6)		
Diluted earnings/(loss) per share (cents per share)	5	(6.3)	(7.6)		

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

People Telecom Limited  
(formerly Swiftel Limited)  
Statements of Financial Position  
For the year ended 30 June 2004

	Note	Consolidated		The Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash assets	6	3,557,048	341,187	2,055,948	264,871
Receivables	7	11,941,189	853,833	78,476	53,429
Other	8	1,971,025	312,311	90,444	60,933
<b>Total Current Assets</b>		<b>17,469,262</b>	<b>1,507,331</b>	<b>2,224,868</b>	<b>379,233</b>
<b>Non Current Assets</b>					
Receivables	9	-	-	3,508,185	2,571,959
Other financial assets	10	1,737,410	-	39,682,656	130,105
Property, plant and equipment	11	3,145,965	3,376,739	-	369,293
Other	12	297,619	-	-	-
Intangible assets	13	38,148,666	-	-	-
<b>Total Non Current Assets</b>		<b>43,329,660</b>	<b>3,376,739</b>	<b>43,190,841</b>	<b>3,071,357</b>
<b>Total Assets</b>		<b>60,798,922</b>	<b>4,884,070</b>	<b>45,415,709</b>	<b>3,450,590</b>
<b>Current Liabilities</b>					
Payables	14	14,477,451	1,466,006	529,926	1,461,806
Interest bearing liabilities	15	570,823	685,989	61,359	79,068
Provisions	16	355,326	116,589	153,248	116,589
Other	17	3,194,591	318,774	-	-
<b>Total Current Liabilities</b>		<b>18,598,191</b>	<b>2,587,358</b>	<b>744,533</b>	<b>1,657,463</b>
<b>Non-Current Liabilities</b>					
Interest bearing liabilities	18	466,596	327,665	5,206	13,518
Other	19	582,692	-	89,714	-
<b>Total Non-Current Liabilities</b>		<b>1,049,288</b>	<b>327,665</b>	<b>94,920</b>	<b>13,518</b>
<b>Total Liabilities</b>		<b>19,647,479</b>	<b>2,915,023</b>	<b>839,453</b>	<b>1,670,981</b>
<b>Net Assets</b>		<b>41,151,443</b>	<b>1,969,047</b>	<b>44,576,256</b>	<b>1,779,609</b>
<b>Equity</b>					
Contributed equity	20	62,113,399	17,343,683	62,113,399	17,343,683
Reserves	21	-	814,508	-	814,508
Accumulated Losses	22	(20,961,956)	(16,189,144)	(17,537,143)	(16,378,582)
<b>Total Equity</b>		<b>41,151,443</b>	<b>1,969,047</b>	<b>44,576,256</b>	<b>1,779,609</b>

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

People Telecom Limited  
(formerly Swiftel Limited)  
Statements of Cash Flows  
For the year ended 30 June 2004

	Note	Consolidated		The Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Cash Flow From Operating Activities</b>					
Receipts from customers		16,724,244	3,551,512	-	1,448
Payments to suppliers & employees		(16,864,455)	(4,371,533)	(2,772,205)	(1,908,482)
Interest received		61,941	21,547	56,448	21,163
Interest and borrowing costs paid		(137,509)	(95,312)	(11,937)	(37,340)
Net cash used in operating activities	23(a)	(1,215,779)	(893,786)	(2,727,694)	(1,923,211)
<b>Cash Flow From Investing Activities</b>					
Payment for property, plant & equipment		(1,593,876)	(667,443)	(5,311)	(73,030)
Proceeds from sale of shares		-	97,899	-	97,899
Cash balances of acquired subsidiary, net of payment for acquisition of subsidiary	23(b)	1,197,452	-	(254,196)	-
Net cash used in investing activities		(396,424)	(569,545)	(259,507)	24,869
<b>Cash Flow From Financing Activities</b>					
Proceeds from share issues		5,147,500	853,172	5,147,500	853,172
Payment of share issue costs		(343,201)	(50,750)	(343,201)	(50,750)
Proceeds from loans		169,821	250,000	169,821	250,000
Payment of loans		(180,045)	(250,000)	(180,045)	(250,000)
Proceeds from borrowings - other		567,775	207,504	-	484,560
Repayment of finance lease principal		(533,786)	(166,610)	(15,797)	(82,522)
Net cash from financing activities		4,828,064	843,316	4,778,278	1,204,460
Net increase/(decrease) in cash held		3,215,861	(620,015)	1,791,077	(693,882)
Cash at beginning of the financial year		341,187	961,202	264,871	958,753
Cash at the end of the financial year	6	3,557,048	341,187	2,055,948	264,871

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

People Telecom Limited  
(formerly Swiftel Limited)  
Notes to the Financial Statements  
For the year ended 30 June 2004

**Note 1: Statement of Significant Accounting Policies**

The financial report is a general-purpose financial report, which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on an accrual 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.

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial reports.

**a) Going concern**

The company and the consolidated entity have made a loss from ordinary activities of \$1,158,561 and \$4,772,812 respectively for the year ended 30 June 2004 (2003: \$4,098,247 and \$3,472,818 respectively).

Notwithstanding this, the directors have prepared the financial statements of the company and the consolidated entity on a going concern basis. In arriving at this position the directors have had regard to the following pertinent matters:

- i. The merger with the People Telecommunications group (formerly People Telecom) has resulted in increased revenues and cash flows.
- ii. Improved margins and growth in the broadband customer base are expected to result in increased revenues and cash flows.
- iii. Increased cash assets due to the issue of shares in June 2004.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities, that might be necessary should the company and the consolidated entity not be able to continue as a going concern.

People Telecom Limited  
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**Note 1: Statement of Significant Accounting Policies (cont'd)**

**b) Principles of consolidation**

The consolidated financial statements are those of the consolidated entity, comprising People Telecom Limited (the parent entity) and all entities that People Telecom Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent entity obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent entity has control.

The loss attributable to members of People Telecom Limited (formerly Swiftel Limited) and the net cash used in operating activities does not include any contribution from People Telecommunications Limited (formerly People Telecom Limited). This is because People Telecom Limited (formerly Swiftel Limited) only controlled People Telecommunications Limited (formerly People Telecom Limited) for one day in the period and the directors considered that this was immaterial.

The Statement of Financial Position as at 30 June 2004 includes People Telecommunications Limited (formerly People Telecom Limited).

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

**c) Cash**

For the purpose of the Statement of Cash Flows, cash includes:

- (i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- (ii) investments in money market instruments with less than 90 days to maturity.

**d) Receivables**

Trade receivables are recognised and carried at original invoice amount less an allowance for doubtful debtors. An estimate for doubtful debtors is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest when charged is taken up as income on an accrual basis.

People Telecom Limited  
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**Note 1: Statement of Significant Accounting Policies (cont'd)**

**e) Acquisition of Assets**

All assets acquired including plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Expenditure is only recognised as an asset when the consolidated entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably.

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years.

Costs that do not meet the criteria for capitalisation are expensed as incurred.

**f) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**g) Goodwill**

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at date of acquisition. Purchased goodwill is amortised on a straight-line basis over the period of 20 years.

The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

**Note 1: Statement of Significant Accounting Policies (cont'd)**

**h) Other assets and liabilities**

Expenditure is only recognised as an asset when the consolidated entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be reliably measured. Otherwise, expenditure is expensed as incurred.

*Mobile hardware / Handset costs*

The cost of mobile handsets purchased for or on behalf of a client are deferred and expensed in the Statements of Financial Performance over an 18-month period. Generally, the handset is aligned to a 24-month contract of continuance service on the consolidated entity's network. Due to the possibility of a small percentage of customers breaking the contract or generating a bad debt, the company policy is to expense the handset over the average period over which benefits are expected to accrue.

*VOIP Handset costs*

The cost of VOIP (Voice over Internet Protocol) handsets purchased for or on behalf of a client are deferred and expensed in the Statements of Financial Performance over an 12-month period as the handset is generally aligned to a 12-month contract of continuance service on the consolidated entity's network.

*Dealer upfront commission payments – fixed wire customers*

Payments made to dealers for the acquisition of fixed wire customers are deferred and expensed in the Statements of Financial Performance over a six-month period. The basis for this policy is that:

- the consolidated entity has the legal right to reclaim the payment from the dealers should the customer cancel their contract within three months of signing up with the consolidated entity; and,
- due to the possibility of a small percentage of customers breaking the contract or generating a bad debt, the company policy is to expense the dealer upfront commission payments for fixed wire customers over the shortest period over which benefits are expected to accrue.

*Dealer upfront commission payments – mobile customers*

Payments made to dealers for the acquisition of mobile customers are deferred and expensed in the Statements of Financial Performance over an 18-month period. Generally, the payment is aligned to a 24-month contract of continuance service on the consolidated entity's network. Due to the possibility of a small percentage of customers breaking the contract or generating a bad debt, the company policy is to expense the dealer upfront commission payments for mobile customers over the average period over which benefits are expected to accrue

*Corporate Data customer set up costs*

Third party costs incurred in the set up of data customers are expensed in the Statements of Financial Performance when the set up or installation is complete. Any revenue for such set up is also recognised when the set up or installation is complete.

People Telecom Limited  
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Notes to the Financial Statements  
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**Note 1: Statement of Significant Accounting Policies (cont'd)**

**h) Other assets and liabilities cont'**

*Miscellaneous pre-paid expenses*

All expenses that are pre-paid are expensed over the period that they relate.

*Carrier commission / subsidies*

A commission / subsidy is generated from certain carriers on the signing of a contract and/or the delivery of a new mobile number on the carriers network. This commission / subsidy is taken to revenue and booked to the Statements of Financial Performance over 24 months, the period over which commission is repayable to carrier, if the contract is broken.

**i) Recoverable amount**

The carrying amounts of non-current assets valued on the cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market denominated risk-adjusted discount rate.

**j) Depreciation and amortisation**

*Plant and equipment*

The depreciable amount of all fixed assets and capitalised leased assets, is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Asset</i>	<i>Depreciation Rate</i>
Telecommunications infrastructure	5% - 10%
Office plant & equipment	20% - 33%
Leased plant and equipment	20% - 33%
Computer equipment, software and website development	45%
Leasehold improvements	term of lease

*Regular review of depreciation and amortisation rates*

Depreciation and amortisation rates and methods are reviewed at least annually and will be adjusted to reflect the most recent assessments of the useful life of the respective assets.

*Changes to depreciation rates and methods*

When depreciation rates or methods are changed, the change is accounted for as a charge in the Statements of Financial Performance. The effect is recognised in the financial year of the change as well as future periods. Depreciation recognised in previous financial periods is not changed or adjusted via the statement of financial performance or accumulated losses.

People Telecom Limited  
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Notes to the Financial Statements  
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**Note 1: Statement of Significant Accounting Policies (cont'd)**

**k) Payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest when charged by the lender is recognised as an expense on an accrual basis.

Payables to related entities are carried at the principal amount. Interest when charged by the lender is recognised as an expense on an accruals basis.

**l) Interest-bearing liabilities**

All loans are measured at the principal amount. Interest is charged as an expense as it accrues. Finance lease liability is determined in accordance with the requirements of AASB 1008 "Leases".

**m) Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of obligation.

**n) Employment Entitlements**

*Wages, salaries and annual leave*

Liabilities for employee entitlements, to wages, salaries and annual leave represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on wage and salary rates including related on-costs expected to apply at settlement.

The value of the equity based compensation scheme is not being recognised as an employee benefits expense.

*Long service leave*

The provision for employee entitlements to 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 estimated 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 securities at balance date which most closely match the terms of maturity of the related liabilities.

*Superannuation plan*

The consolidated entity contributes to several defined contribution superannuation plans. Contributions to employee superannuation funds are charged against income as they are paid or become payable.

People Telecom Limited  
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Notes to the Financial Statements  
For the year ended 30 June 2004

**Note 1: Statement of Significant Accounting Policies (cont'd)**

**o) Contributed equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares and listed options are recognised directly in equity as a reduction of the proceeds received.

**p) Revenue**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

*Rendering of Telecommunication Services*

Revenue from the provision of telecommunication services is recognised (net of discounts) when the customer utilises the service.

Revenue from the set up or installation of telecommunication services is recognised when the set up or installation is complete.

*Interest revenue*

Interest revenue is recognised as it accrues.

**q) Borrowing costs**

Borrowing costs are expensed as incurred except where they relate to the financing of projects under construction where they are capitalised up to the date of commissioning or sale.

**r) Income tax**

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the result from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of the accounting result and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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 company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

People Telecom Limited  
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Notes to the Financial Statements  
For the year ended 30 June 2004

**Note 1: Statement of Significant Accounting Policies (cont'd)**

s) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

t) Earnings per share

Basic Earnings Per Share (EPS) is calculated as net profit / (loss) attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit / (loss) attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with the dilutive potential ordinary shares that have been recognised as expenses; and,
- other non discretionary changes in revenues and expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

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Notes to the Financial Statements  
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	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Note 2: Revenue from ordinary activities</b>				
Revenue from rendering telecommunications services	16,188,274	3,860,545	-	-
Other revenue				
Interest income	61,941	21,547	56,448	21,163
Proceeds from sale of shares	-	97,899	-	97,899
Sundry income	16,013	5,928	-	892
	77,954	125,374	56,448	119,954
<b>Total Revenue from ordinary activities</b>	<b>16,266,228</b>	<b>3,985,919</b>	<b>56,448</b>	<b>119,954</b>

**Note 3: (Loss) from ordinary activities**

*a) Expenses from ordinary activities*

*include the following:*

**Borrowing costs expensed**

Interest expense				
- Finance lease	117,915	62,924	8,432	5,268
- Other	2,976	7,132	2,561	6,816
Other borrowing costs	16,618	25,256	944	25,256
<b>Total borrowing costs</b>	<b>137,509</b>	<b>95,312</b>	<b>11,937</b>	<b>37,340</b>

Depreciation - plant and equipment	862,333	530,095	163,468	158,440
Amortisation of goodwill	-	83,492	-	17,931
	862,333	613,587	163,468	176,371

Movement in allowance for doubtful debtors	100,000	38,465	-	-
Movement in provision for employee entitlements	36,659	29,507	36,659	29,507
Carrying amount of investments disposed	-	59,364	-	59,364

**Auditors' Remuneration:**

**Auditing or reviewing the financial report**

Pitcher Partners	35,000	-	33,000	-
Ernst & Young	27,200	26,402	2,822	26,402
<b>Other Services</b>				
Pitcher Partners <sup>(1)</sup>	-	-	-	-
Ernst & Young	-	1,300	-	1,300

(1) Pitcher Partners were paid \$25,000 in respect of an Independent Accountants report which has been included as part of share issue costs

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For the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Note 4: Income Tax Expense</b>				
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 loss from ordinary activities before income tax at 30% (2003: 30%)	1,431,850	565,349	347,568	519,678
Less tax effect of permanent differences:				
Amortisation of goodwill	-	(25,048)	-	-
Non-deductible costs	(7,836)	(1,988)	(5,880)	(1,988)
Reduction in opening balance of deferred taxes resulting from reduction in tax rate	-	(21,654)	-	(22,665)
Less:				
Future income tax benefits not brought to account	(1,424,014)	(516,659)	(341,688)	(495,025)
<b>Income tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Estimated unconfirmed income tax losses at the end of the financial year are \$20,292,323 (2003: \$5,241,588) and \$6,201,731 (2003: \$5,241,588) for the consolidated entity and company respectively. The estimated and unconfirmed tax benefit at 30% on these tax losses is \$6,087,697 (2003: \$1,572,476) and \$1,860,519 (2003: \$1,572,476) for the consolidated entity and company respectively.

The potential future income tax benefits arising from 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.

People Telecom Limited  
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Notes to the Financial Statements  
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Note 4: Income Tax Expense Con't

*Tax consolidation*

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the consolidated entity.

The directors have not elected at the date of signing the financial statements for those entities within the consolidated entity that are wholly owned Australian resident entities to be taxed as a single entity.

	Consolidated	
	2004	2003
	\$	\$
<b>Note 5: Earnings per share</b>		
Basic earnings/(loss) per share (cents per share) <sup>(1)</sup>	(6.3)	(7.6)
Diluted earnings/(loss) per share (cents per share) <sup>(1)</sup>	(6.3)	(7.6)
Net Loss used in the calculation of basic and diluted EPS	4,772,812	3,472,818
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS <sup>(1)</sup>	75,948,160	45,404,928

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 2004.

(1) The average number of ordinary shares outstanding during both 2003 and 2004 have 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 2002. This means that the comparative information for 2003 has been adjusted.

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Notes to the Financial Statements  
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	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Note 6: Cash assets</b>				
Cash at bank	3,555,667	62,525	2,055,944	59,814
Cash on hand	1,381	-	4	-
Deposits at call	-	278,662	-	205,057
	<u>3,557,048</u>	<u>341,187</u>	<u>2,055,948</u>	<u>264,871</u>

<b>Note 7: Receivables (current)</b>				
Trade debtors	12,455,329	825,106	-	-
Allowance for doubtful debtors	(770,406)	(36,000)	-	-
	<u>11,684,923</u>	<u>790,106</u>	<u>-</u>	<u>-</u>
Other	256,266	63,727	78,476	53,429
	<u>11,941,189</u>	<u>853,833</u>	<u>78,476</u>	<u>53,429</u>

*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 no interest bearing and generally on 30 day terms

<b>Note 8: Other assets (current)</b>				
Prepayments	617,426	312,311	90,444	60,933
Deferred upfront commission costs – mobile customers	994,616	-	-	-
Deferred handset costs	313,928	-	-	-
Deferred upfront commission costs – fixed wire customers	52,914	-	-	-
Deferred VOIP handset costs	92,141	-	-	-
	<u>1,971,025</u>	<u>312,311</u>	<u>90,444</u>	<u>60,933</u>

<b>Note 9: Receivables (non-current)</b>				
Wholly owned controlled entities	-	-	3,508,185	2,571,959

<b>Note 10: Other financial assets (non-current)</b>				
Deposits <sup>(1)</sup>	1,737,410	-	147,446	-
Unlisted controlled entities at cost (Note 25)	-	-	39,535,210	130,105
	<u>1,737,410</u>	<u>-</u>	<u>39,682,656</u>	<u>130,105</u>

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

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Notes to the Financial Statements  
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	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Note 11: Property, plant and equipment</b>				
<i>(a) Carrying values</i>				
Telecommunications Infrastructure -at cost	2,495,458	2,988,270	-	-
Less accumulated depreciation	(451,856)	(494,382)	-	-
	<u>2,043,602</u>	<u>2,493,888</u>		
Office plant and equipment - at cost	465,576	771,027	-	762,267
Less accumulated depreciation	(75,921)	(432,696)	-	(430,682)
	<u>389,655</u>	<u>338,331</u>	-	<u>331,585</u>
Leased plant and equipment - at cost	647,631	689,170	-	69,692
Less accumulated depreciation	(138,391)	(144,650)	-	(31,984)
	<u>509,240</u>	<u>544,520</u>	-	<u>37,708</u>
Leasehold improvements – at cost	69,062	-	-	-
Less accumulated depreciation	-	-	-	-
	<u>69,062</u>	-	-	-
Computer equipment, software and website development - at cost	134,406	-	-	-
Less accumulated depreciation	-	-	-	-
	<u>134,406</u>	-	-	-
<b>Total property, plant and equipment</b>	<u>3,145,965</u>	<u>3,376,739</u>	<u>-</u>	<u>369,293</u>

*Assets pledged as security:*

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

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Notes to the Financial Statements  
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	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Note 11: Property, plant and equipment</b>				
<i>(b) Reconciliations</i>				
Telecommunications Infrastructure				
Carrying amount at the beginning of the year	2,493,888	2,262,507	-	-
Additions	57,482	439,992	-	-
Depreciation	(209,068)	(198,611)	-	-
Recoverable amount write down	(298,700)	-	-	-
<b>Carrying amount at year end</b>	<b>2,043,602</b>	<b>2,493,888</b>	<b>-</b>	<b>-</b>
Office plant and equipment				
Carrying amount at the beginning of the year	338,331	491,246	331,585	447,758
Additions	835,841	7,540	255	42,268
Acquisition of People Telecommunications Limited (formerly People Telecom Limited)	104,220	-	-	-
Depreciation	(290,265)	(160,455)	(142,275)	(158,441)
Recoverable amount write down	(598,472)	-	(189,565)	-
<b>Carrying amount at year end</b>	<b>389,655</b>	<b>338,331</b>	<b>-</b>	<b>331,585</b>
Leased plant and equipment				
Carrying amount at the beginning of the year	544,520	145,638	37,708	24,877
Additions	700,550	569,911	5,055	30,762
Depreciation	(362,999)	(171,029)	(21,193)	(17,931)
Recoverable amount write down	(372,831)	-	(21,570)	-
<b>Carrying amount at year end</b>	<b>509,240</b>	<b>544,520</b>	<b>-</b>	<b>37,708</b>
Leasehold improvements				
Carrying amount at the beginning of the year	-	-	-	-
Acquisition of People Telecommunications Limited (formerly People Telecom Limited)	69,062	-	-	-
<b>Carrying amount at year end</b>	<b>69,062</b>	<b>-</b>	<b>-</b>	<b>-</b>
Computer equipment, software and website development				
Carrying amount at the beginning of the year	-	-	-	-
Acquisition of People Telecommunications Limited (formerly People Telecom Limited)	134,406	-	-	-
<b>Carrying amount at year end</b>	<b>134,406</b>	<b>-</b>	<b>-</b>	<b>-</b>

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Notes to the Financial Statements  
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	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Note 12: Other assets (non-current)</b>				
Deferred upfront commission costs – mobile customers	235,975	-	-	-
Deferred handset costs	61,644	-	-	-
	<u>297,619</u>	<u>-</u>	<u>-</u>	<u>-</u>

<b>Note 13: Intangible Assets</b>				
Goodwill at cost	38,148,666	1,669,835	-	-
Less accumulated amortisation	-	(218,739)	-	-
Less write down to recoverable amount	-	(1,451,096)	-	-
	<u>38,148,666</u>	<u>-</u>	<u>-</u>	<u>-</u>

<b>Note 14: Payables</b>				
Trade creditors	8,525,661	1,316,049	130,745	1,316,049
Accrued expenses	5,951,790	149,957	399,181	145,757
	<u>14,477,451</u>	<u>1,466,006</u>	<u>529,926</u>	<u>1,461,806</u>

*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.

<b>Note 15: Interest bearing liabilities (current)</b>				
Lease Liabilities (Note 24)	517,776	629,761	8,312	22,840
Borrowings	53,047	56,228	53,047	56,228
	<u>570,823</u>	<u>685,989</u>	<u>61,359</u>	<u>79,068</u>

<b>Note 16: Provisions (current)</b>				
Forfeited shares account	54,590	54,590	54,590	54,590
Employee entitlements	300,736	61,999	98,658	61,999
	<u>355,326</u>	<u>116,589</u>	<u>153,248</u>	<u>116,589</u>

<b>Note 17: Other liabilities (current)</b>				
Unearned income - Carrier Commissions / Subsidies	1,648,325	-	-	-
Unearned income - other	1,546,266	318,774	-	-
	<u>3,194,591</u>	<u>318,774</u>	<u>-</u>	<u>-</u>

<b>Note 18: Interest bearing liabilities (non current)</b>				
Lease Liabilities (Note 24)	466,596	327,665	5,206	13,518

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	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Note 19: Other liabilities (non current)				
Loans from controlled entities	-	-	89,714	-
Unearned Income - Carrier				
Commissions / Subsidies	582,692	-	-	-
	582,692	-	89,714	-

Note 20: Contributed equity

(a) Issued and paid up capital

305,578,709 fully paid ordinary shares (2003: 127,975,262)

62,113,399	17,343,683	62,113,399	17,343,683
------------	------------	------------	------------

	2004	2004	2003	2003
	Number	\$	Number	\$
(b) Movements in fully paid ordinary shares				
At the beginning of the financial year	127,975,262	17,343,683	85,316,811	16,541,261
Issue of Shares at \$0.06 each	14,000,000	840,000	42,658,406	853,168
Issue of Shares at \$0.115 each	20,000,000	2,300,000	-	-
Share options exercised	-	-	45	4
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	-	-
	199,648,145	21,305,691	127,975,262	17,394,433
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	-	(343,201)	-	(50,750)
	305,578,709	62,113,399	127,975,262	17,343,683

(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.

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	2004 Number	2004 Average Exercise Price Cents
	\$	
Note 20: Contributed equity con't		
<b>(d) Movements in share options</b>		
At the beginning of the financial year	68,484,882	10.85
Unlisted options vested to employees	767,722	10.88
Unlisted options vested to non-executive directors	4,000,002	18.75
Unlisted options granted to others	500,000	10.00
Listed options granted	14,000,000	-
Options lapsed	(1,780,761)	19.28
Employee options exercised	(150,000)	5.00
Cancellation of two (2) options into one (1) fully paid ordinary share	(75,045,757)	8.13
	10,776,088	17.27
Consolidation of every two (2) options into one (1) option	(5,388,039)	-
	5,388,049	34.54

**(e) Options outstanding at balance date**

Grant Date	No of Options (1)	Exercise Price Cents (1)	Expiry Date	Details
16 April 2002	1,153,132	20	13 March 2005	Listed Options
5 April 2002	1,500,000	30	30 September 2006	Non Executive Directors
5 April 2002	1,500,000	40	30 September 2006	Non Executive Directors
1 February 2003	250,000	20	31 March 2005	Other
October 2000	500,000	80	3 October 2005	Employee Options
15 May 2002	204,959	20	1 January 2005	Employee Options
1 January 2003	25,000	20	1 January 2005	Employee Options
1 January 2003	150,528	30	1 January 2005	Employee Options
1 January 2004	25,000	30	1 January 2005	Employee Options
1 January 2004	79,430	40	1 January 2005	Employee Options
	5,388,049	34.54		

There have been no options issued or exercised since balance date.

(1) The number of options outstanding at balance date has been adjusted to take into consideration the consolidation of every two fully paid ordinary shares into one fully paid ordinary share that occurred on 29 June 2004. This means that the number of options on issued has halved and the exercise price has doubled.

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	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Note 21: Reserves</b>				
<i>Option premium reserve</i>				
Opening balance	814,508	814,508	814,508	814,508
Less transfer to contributed equity on cancellation of two options for the issue of one share	(814,508)	-	(814,508)	-
<b>Total Reserves</b>	<b>-</b>	<b>814,508</b>	<b>-</b>	<b>814,508</b>
<b>Note 22: Accumulated losses</b>				
Accumulated losses at the beginning of the year	16,189,144	12,716,326	16,378,582	12,280,335
Net loss from ordinary activities after income tax	4,772,812	3,472,818	1,158,561	4,098,247
<b>Accumulated losses at the end of the financial year</b>	<b>20,961,956</b>	<b>16,189,144</b>	<b>17,537,143</b>	<b>16,378,582</b>

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	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Note 23: Cash Flow Information</b>				
<i>(a) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax</i>				
Loss from ordinary activities after income tax	(4,772,812)	(3,472,818)	(1,158,561)	(4,098,247)
Add non-cash items:				
Allowance for doubtful debtors	100,000	38,465	-	-
Amounts set aside to provisions	36,669	29,507	36,669	29,507
Deferred income on sale	(16,013)	-	-	-
Deferred costs written off	-	42,346	-	-
Depreciation and amortisation	862,333	613,587	163,468	176,372
Goodwill written off	-	1,451,096	-	1,451,096
Recoverable amount written off	1,270,005	-	211,137	-
Profit on disposal of asset	-	(38,535)	-	(38,535)
<b>Net cash (used in) operating activities before change in assets and liabilities</b>	<b>(2,519,829)</b>	<b>(1,336,352)</b>	<b>(747,297)</b>	<b>(2,479,807)</b>
Changes in assets and liabilities:				
(Increase)/Decrease in trade debtors	(1,707,535)	(448,081)	(25,047)	556
Decrease/(Increase) in other receivables	47,531	46,384	-	(16,565)
(Increase) in other financial assets	(234,981)	-	(147,446)	-
(Increase) in loans to controlled entities	-	-	(846,512)	-
(Increase)/Decrease in current prepayments	(76,886)	105,271	(29,511)	(49,068)
Increase/(Decrease) in trade creditors and accruals	2,032,415	605,872	(931,881)	621,673
Increase in unearned income	1,243,605	133,120	-	-
<b>Cash Flows from Operating Activities</b>	<b>(1,215,779)</b>	<b>(893,786)</b>	<b>(2,727,694)</b>	<b>(1,923,211)</b>

*(b) Non cash Financing and Investing Activities*

During the financial year the consolidated entity acquired plant and equipment with an aggregate value of \$567,775 (2003: \$350,000) via finance leases.

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Consolidated  
2004                      2003  
\$                              \$

Note 23: Cash Flow Information con't

*(c) Business Acquired*

On 29 June 2004 People Telecom Limited (formerly Swiftel Limited) acquired all the ordinary shares of People Telecommunications Limited (formerly People Telecom 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	-
	<u>39,405,105</u>	-
Fair value of net assets of People Telecommunications Limited (formerly People Telecom 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)	-
	<u>1,256,439</u>	-
Goodwill on acquisition	<u>38,148,666</u>	-
Inflow of cash in respect of the acquisition of People Telecommunications Limited (formerly People Telecom Limited)		
Cash costs	(254,196)	-
Cash balances acquired	1,451,648	-
	<u>1,197,452</u>	-

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	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Note 24: Capital and Leasing Commitments</b>				
<i>(a) Finance Lease Commitments</i>				
Payable				
- not later than one year	601,212	689,719	9,195	25,019
- later than one year but not later than 5 years	513,851	363,964	5,364	14,559
Minimum lease payments	1,115,063	1,053,683	14,559	39,578
Less future lease interest	(130,691)	(96,257)	(1,041)	(3,220)
	<u>984,372</u>	<u>957,426</u>	<u>13,518</u>	<u>36,358</u>
Current liability	517,776	629,761	8,312	22,840
Non-current liability	466,596	327,665	5,206	13,518
<b>Total lease Liability</b>	<u>984,372</u>	<u>957,426</u>	<u>13,518</u>	<u>36,358</u>

*(b) Operating Lease Commitments*

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable

- not later than one year	1,182,706	502,008	298,101	302,918
- later than one year but not later than 5 years	2,069,100	528,529	24,641	322,742
	<u>3,251,806</u>	<u>1,030,537</u>	<u>322,742</u>	<u>625,660</u>

*Terms and conditions relating to the above financial instruments:*

Finance leases are utilised to acquire plant and equipment and telecommunications infrastructure. They have an average lease term of three years with the option to purchase the asset at the completion of the lease term for the assets market value. The average discount rate implicit in the leases is 9.92% (2003: 7.53%). Lease liabilities are secured by a charge over the leased assets.

Operating lease commitments are principally in relation to the rental of premises.

## Note 25: Directors and Executives Disclosures

### *(a) Details of Specified Directors*

#### Director

B. Hamilton	Non-Executive Chairman – appointed 29 June 2004
R. O'Hare	Director and Chief Executive Officer – appointed 29 June 2004
B. Fleiter	Non-Executive Director – appointed 29 June 2004
C. Marland	Non-Executive Director – appointed 12 September 2003
D. Vilensky	Non-Executive Director – appointed 28 August 2001
M. Wylie	Non-Executive Director – appointed 1 September 2004
S. Sassine	Former Non-Executive Chairman – resigned 29 June 2004
C. Gale	Former Director and Former Chief Executive Officer – resigned 29 June 2004
M. Dick	Non-Executive Director – appointed 12 September 2003, resigned 1 September 2004
A. Paul	Non-Executive Director – resigned 29 June 2004

### *(b) Details of Specified Executives*

During the financial year, Mr Gale and Mr R O'Hare were the only executive officers of the company.

### *(c) Remuneration Policy*

The Remuneration Committee of the Board of Directors is responsible for determining and recommending to the Board of Directors remuneration arrangements for the directors, the chief executive officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emolument to the company's financial and operational performance. All senior executives have the opportunity to qualify for participation in the Executive Share Incentive Plan, which currently provides share incentives where specified criteria are met.

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Note 25: Directors and Executives Disclosures con't  
(c) Remuneration of Specified Directors

The following table sets out the remuneration received by the directors of the company during the financial year.

		Primary	Non	Post	Total
	Salary & Fees	Cash Bonus	Monetary Benefits	Employment Superannuation	
	\$	\$	\$	\$	\$
<b>B. Hamilton</b>					
2004	-	-	-	-	-
2003	-	-	-	-	-
<b>R. O'Hare</b>					
2004	-	-	-	-	-
2003	-	-	-	-	-
<b>M. Dick</b>					
2004	13,333	-	-	-	13,333
2003	-	-	-	-	-
<b>B. Fleiter</b>					
2004	-	-	-	-	-
2003	-	-	-	-	-
<b>C. Gale</b>					
2004	220,500	-	-	8,416	228,916
2003	182,788	-	-	9,167	191,955
<b>C. Marland</b>					
2004	13,500	-	-	-	13,500
2003	-	-	-	-	-
<b>A. Paul</b>					
2004	16,000	-	-	-	16,000
2003	11,333	-	-	-	11,333
<b>S. Sassine</b>					
2004	24,000	-	-	-	24,000
2003	24,000	-	-	-	24,000
<b>D. Vilensky</b>					
2004	20,066	-	-	-	20,066
2003	16,000	-	-	-	16,000
<b>M. Wylie</b>					
2004	-	-	-	-	-
2003	-	-	-	-	-
<b>Total Remuneration Specified Directors</b>					
2004	307,333	-	-	8,416	315,815
2003	234,121	-	-	9,167	243,288

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Note 25: Directors and Executives Disclosures con't

*(d) Remuneration of Specified Executives*

During the financial year, Mr O'Hare and Mr Gale were the only specified executives of the company. Details of their remuneration are noted in the table above.

*(e) Unlisted Options vested or granted during the financial year*

During the year options previously granted to certain directors as equity compensation benefits were vested as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the Company at the exercise price disclosed below.

	Vested (1)	Granted	Grant Date	Exercise Price cents (1)	Expiry Date
S. Sassine	666,666	-	5 April 2002	40	30 September 2006
S. Sassine	333,334	-	5 April 2002	30	30 September 2006
S. Sassine	333,334	-	5 April 2002	40	30 September 2006
D. Vilensky	333,333	-	5 April 2002	40	30 September 2006
D. Vilensky	166,667	-	5 April 2002	30	30 September 2006
D. Vilensky	166,667	-	5 April 2002	40	30 September 2006
	2,000,001	-			

*(f) Movements in unlisted option holdings of specified directors*

	S Sassine	C Gale	D Vilensky	Total
Balance at the beginning of the year <sup>(1)</sup>	2,000,000	500,000	1,000,000	3,500,000
Granted as remuneration <sup>(1)</sup>	-	-	-	-
Options Exercised <sup>(1)</sup>	-	-	-	-
Net Change Other <sup>(1)</sup>	-	-	-	-
Balance at the end of the year <sup>(1)</sup>	2,000,000	500,000	1,000,000	3,500,000
Vested at end of the year <sup>(1)</sup>	2,000,000	500,000	1,000,000	3,500,000
Average Exercise Price <sup>(1)</sup> – cents	35.0	80.0	35.0	41.4
Not Exercisable <sup>(1)</sup>	2,000,000	175,000	1,000,000	3,175,000
Exercisable <sup>(1)</sup>	-	325,000	-	325,000

(1) The number of options above 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 30 June 2003.

There have been no options issued or exercised since balance date.

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Note 25: Directors and Executives Disclosures con't

*(g) Movements in share holdings of specified directors and specified executives*

Specified Director	Balance at Beginning of year (1)	Granted as remuneration (1)	On exercise of Options (1)	Net Change Other (1)	Balance at end of year (1)
B. Hamilton <sup>(2)</sup>	-	-	-	33,725,758	33,725,758
R. O'Hare <sup>(2)</sup>	-	-	-	48,736,090	48,736,090
M. Dick <sup>(2)</sup>	-	-	-	5,050,334	5,050,334
B. Fleiter <sup>(2)</sup>	-	-	-	67,351,515	67,351,515
C. Gale <sup>(3)</sup>	9,645,000	-	-	(9,645,000)	-
C. Marland <sup>(2)</sup>	-	-	-	46,440,355	46,440,355
A. Paul <sup>(3)</sup>	5,644,425	-	-	(5,644,425)	-
S. Sassine <sup>(3)</sup>	300,000	-	-	(300,000)	-
D. Vilensky	42,325	-	-	495,175	537,500
M. Wylie <sup>(2)</sup>	-	-	-	-	-
	15,631,750	-	-	186,209,802	201,841,552

(1) The number of ordinary shares above 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 30 June 2003.

(2) These directors were appointed post 30 June 2003

(3) These directors resigned pre 30 June 2004 and reduction in holdings does not imply that these directors had sold or otherwise disposed of their interest in the company.

All transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

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Note 25: Directors and Executives Disclosures con't

(h) *Movements in listed option holdings of specified directors*

Specified Director	Balance at Beginning of year (1)	Granted as remuneration (1)	Options Exercised (1)	Net Change Other (1), (4)	Balance at end of year (1)
B. Hamilton <sup>(2)</sup>	-	-	-	-	-
R. O'Hare <sup>(2)</sup>	-	-	-	-	-
M. Dick <sup>(2)</sup>	-	-	-	-	-
B. Fleiter <sup>(2)</sup>	-	-	-	-	-
C. Gale <sup>(3)</sup>	5,422,500	-	-	(5,422,500)	-
C. Marland <sup>(2)</sup>	-	-	-	-	-
A. Paul <sup>(3)</sup>	8,516,108	-	-	(8,516,108)	-
S. Sassine <sup>(3)</sup>	500,000	-	-	(500,000)	-
D. Vilensky	166,667	-	-	(166,667)	-
M. Wylie <sup>(2)</sup>	-	-	-	-	-
	-	-	-	-	-
	14,605,275	-	-	(14,605,275)	-

1) The number of options above 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 30 June 2003.

(2) These directors were appointed post 30 June 2003

(3) These directors resigned pre 30 June 2004 and reduction in holdings does not imply that these directors had sold or otherwise disposed of their interest in the company.

(4) This may include listed options cancelled in consideration for fully paid ordinary shares on the basis of one share for every two listed option held.

(i) *Service agreements*

Mr O'Hare, Chief Executive Officer and Executive Director

- Term of agreement – 2 years commencing on 29 June 2004.
- Base salary for the year ended 30 June 2005, inclusive of superannuation \$305,200.
- Bonus payable if business plan is met, inclusive of superannuation \$125,350.
- Payment of termination benefit equal to the base salary and full bonus from the date of termination till 29 June 2006.

Mr Gale, Previous Chief Executive Officer

- Term of agreement – 3 years commencing on 22 May 2000, subsequently extended on 22 May 2003 for a further 3 years to 22 May 2006
- Base salary for the year ended 30 June 2005, inclusive of superannuation \$240,000.
- Payment of termination benefit equal to the base salary from the date of termination till 22 May 2006.

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(j) *Transactions with specified directors and specified executives*

*Purchases*

Fees amounting to \$72,553 (2003: \$38,376) for legal services were paid to the legal firm of Bowen Buchbinder Vilensky, of which Mr. D. Vilensky is a partner. The services were made under normal commercial terms and conditions. Fees amounting to \$25,000 (2003:nil) in respect of consulting services were paid to Rivacre Investments Pty Limited, of which Mr C. Marland is a director. The services were made under normal commercial terms and conditions.

	Holding		Investment	
	2004	2003	2004	2003
	%	%	\$	\$
<b>Note 26: Controlled Entities</b>				
<i>Name Parent Entity</i>				
People Telecom Limited (formerly Swiftel Limited)				
<i>Controlled entities – consolidated entity interest</i>				
Swiftel Communications Pty Ltd	100%	100%	130,104	130,104
Swift Broadband Pty Ltd (formerly Swiftel Technologies Pty Ltd)	100%	100%	1	1
People Telecommunications Limited (formerly People Telecom Limited)	100%	-	39,405,105	-
People Mobile Pty Ltd <sup>(1)</sup>	100%	-	-	-
PTS Australia Pty Ltd <sup>(1)</sup>	100%	-	-	-
			<b>39,535,210</b>	<b>130,105</b>

All companies within the consolidated group are domiciled in Australia

(1) wholly owned subsidiaries of People Telecommunications Limited

During the financial year, People Telecom Limited on charged, at cost, certain operating costs including rental expenditure and staff costs to Swiftel Communications Pty Ltd and Swift Broadband Pty Ltd.

The loans between People Telecom Limited and its controlled entities, as disclosed in Notes 9 and 19 are on interest free terms.

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Note 27: Financial Instruments

(a) Interest Rate Risk

The consolidated entity'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 those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate 2004 %	Floating Interest Rate 2004 \$	Fixed Interest Rate Maturing		Non – interest bearing 2004 \$	Total 2004 \$
			Within 1 Year 2004 \$	1 to 5 Years 2004 \$		
<b>Financial Assets</b>						
Cash at bank	4.87%	3,557,048	-	-	-	3,557,048
Current receivables	n/a	-	-	-	11,941,189	11,941,189
Other financial assets	4.92%	1,737,410	-	-	-	1,737,410
<b>Total Financial Assets</b>		<b>5,294,458</b>	<b>-</b>	<b>-</b>	<b>11,941,189</b>	<b>17,235,647</b>
<b>Financial Liabilities</b>						
Lease liabilities	9.92%	-	517,776	466,596	-	984,372
Borrowings	3.90%	-	53,047	-	-	53,047
Trade creditors and accruals	n/a	-	-	-	14,477,451	14,477,451
<b>Total Financial Liabilities</b>		<b>-</b>	<b>570,823</b>	<b>466,596</b>	<b>14,477,451</b>	<b>15,514,870</b>

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Note 27: Financial Instruments con't

	Weighted Average Effective Interest Rate 2003 %	Floating Interest Rate 2003 \$	Fixed Interest Rate Maturing		Non - interest bearing 2003 \$	Total 2003 \$
			Within 1 Year 2003 \$	1 to 5 Years 2003 \$		
<b>Financial Assets</b>						
Cash at bank	4.80	257,409	80,000	-	3,778	341,187
Current receivables	n/a	-	-	-	853,833	853,833
<b>Total Financial Assets</b>		<b>257,409</b>	<b>80,000</b>	<b>-</b>	<b>857,611</b>	<b>1,195,020</b>
<b>Financial Liabilities</b>						
Lease liabilities	7.53	-	629,761	327,665	-	957,426
Borrowings	3.90	-	56,228	-	-	56,228
Trade creditors and accruals	n/a	-	-	-	1,466,006	1,466,006
<b>Total Financial Liabilities</b>		<b>-</b>	<b>685,989</b>	<b>327,665</b>	<b>1,466,006</b>	<b>2,479,660</b>

*(b) Credit Risk*

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 allowance for doubtful debts of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements. The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors.

*(c) Net Fair Values*

For all assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised forms.

Note 28: Subsequent Events

There have not been any significant subsequent events after 30 June 2004.

People Telecom Limited  
(formerly Swiftel Limited)  
Notes to the Financial Statements  
For the year ended 30 June 2004

Note 29: Segment reporting

The consolidated entity's operating companies are organised separately according to the nature of the products and services they provide, with each segment serving different markets.

The Corporate segment provides data communication services to the corporate market. The SME segment provides fixed wire telephony, mobile telephony, data and other telecommunications services to the small and medium enterprise market. The Consumer segment provides broadband and other telephony services to the consumer market.

Geographically, the consolidated entity operates in one segment, being the Australian market.

People Telecom Limited  
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Notes to the Financial Statements  
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Note 29: Segment reporting cont'

	Consumer 2004	Consumer 2003	SME 2004	SME 2003	Corporate 2004	Corporate 2003	Consolidated 2004	Consolidated 2003
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Sales to customers outside the consolidated entity	11,633,046	413,357	-	-	4,555,228	3,447,188	16,188,274	3,860,546
Total segment revenue	11,633,046	413,357	-	-	4,555,228	3,447,188	16,188,274	3,860,546
Non-segment revenues								
Interest revenue							61,941	21,547
Profit on share trading							-	97,899
Other revenue							16,013	5,928
Total consolidated revenue							16,266,228	3,985,919
Result								
Segment result pre asset write downs	(1,810,013)	(325,729)	-	-	(745,390)	1,268,856	(2,555,403)	943,127
Asset write downs	(822,055)	-	-	-	(236,813)	-	(1,058,868)	-
Segment result post asset write downs	(2,632,068)	(325,729)	-	-	(982,203)	1,268,856	(3,614,271)	943,127
Non-segment expenses								
Borrowing expense							(137,509)	(95,312)
Unallocated asset write downs							(211,135)	-
Unallocated expenses							(809,898)	(4,320,629)
Consolidated entity loss from ordinary activities before income tax							(4,772,812)	(3,472,818)
Income tax expense							-	-
Loss Attributable to members of People Telecom Limited (formerly Swiftel Limited)							(4,772,812)	(3,472,818)

People Telecom Limited  
(formerly Swiftel Limited)  
Notes to the Financial Statements  
For the year ended 30 June 2004

Note 26: Segment reporting cont'

	Consumer		SME		Corporate		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
<b>Assets</b>								
Segment assets	2,550,322	333,550	14,961,394	-	3,059,054	4,320,170	20,570,770	4,653,720
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-segment assets</b>								
Unallocated assets							40,228,152	230,350
							60,798,922	4,884,070
<b>Total Assets</b>								
<b>Liabilities</b>								
Segment liabilities	4,018,235	12,000	13,704,955	-	1,377,666	1,274,223	19,100,856	1,286,223
<b>Non-segment liabilities</b>								
Finance lease liability							13,518	92,586
Non-allocated liabilities							533,105	1,536,214
							19,647,479	2,915,023
<b>Total Liabilities</b>								

People Telecom Limited  
(formerly Swiftel Limited)  
Notes to the Financial Statements  
For the year ended 30 June 2004

Note 23: Segment reporting con't

	Consumer		SME		Corporate		Unallocated		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other Segment information										
Acquisition of property, plant and equipment, intangible assets and other non-current assets	1,097,216	275,519	605,307	-	491,347	668,884	5,310	73,030	2,199,180	1,017,443
Depreciation	174,460	15,000	-	-	524,405	338,724	163,468	176,371	862,333	530,095
Amortisation	-	-	-	-	-	-	-	83,492	-	83,492
Non cash expenses other than depreciation, amortisation and asset write downs noted above	75,000	-	-	-	25,000	38,465	36,659	1,522,949	136,659	1,561,414

People Telecom Limited  
(formerly Swiftel Limited)  
Notes to the Financial Statements  
For the year ended 30 June 2004

Note 30: Employee Entitlements

*(a) Employee Option Scheme*

An employee option scheme had been established where certain members of staff of the consolidated entity were issued with options over the ordinary shares of People Telecom Limited. The options, issued for nil consideration are issued in accordance with performance guidelines established by the directors of People Telecom Limited. The minimum period that an employee must work prior to being considered for employee options is 12 months. The options are issued in three tranches and have a three year life, they are exercisable at the commencement of the year in which the tranche has been issued. The options cannot be transferred and will not be quoted on the ASX.

Set out below is the details of the employee options currently outstanding. There are no plans for any further options to be granted under this plan.

	2004 Number of Options	2004 Average Exercise Price Cents
<i>Movements in share options</i>		
At the beginning of the financial year	2,082,873	28.22
Granted	50,000	15.00
Granted	267,722	20.00
Granted	450,000	5.00
Options lapsed	(730,761)	19.28
Employee options exercised	(150,000)	5.00
	1,969,834	26.93
Consolidation of every two (2) options into one (1) option	(984,917)	-
<b>At the end of the financial year</b>	<b>984,917</b>	<b>53.95</b>

*Options outstanding at balance date*

Grant Date	No of Options (Post Consolidation)	Exercise Price (Post Consolidation - Cents)	Expiry Date
October 2000	500,000	80	3 October 2005
15 May 2002	204,969	20	1 January 2005
1 January 2003	25,000	20	1 January 2005
1 January 2003	150,528	30	1 January 2005
1 January 2004	25,000	30	1 January 2005
1 January 2004	79,430	40	1 January 2006
	984,917	53.95	

There have been no options issued or exercised since balance date.

Note 30: Employee Entitlements con't

*(b) Exempt Employee Share Plan*

An exempt employee share plan is being established where eligible employees of the consolidated entity will be able to salary sacrifice up to \$250 in a six month period to purchase fully paid ordinary shares in the Company. The consolidated entity will match any salary sacrifice on a dollar for dollar basis. If the employee participated fully in the Exempt Employee Share Plan for both periods in any financial year, they will acquire a maximum of \$1,000 in fully paid ordinary shares in the Company.

The Shares will be purchased on market at the relevant price at date of purchase. The shares will rank equally in all respects with the existing Shares of the Company.

This share plan will be first offered to eligible employees in October 2004.

*(c) Executive Incentive Share Plan*

An executive incentive share plan is being established where eligible executives will be allocated fully paid ordinary shares in the Company pending the successful achievement of the required performance criteria.

The shares will be either issued by the Company or purchased on market at the relevant price at date of purchase. The shares will rank equally in all respects with the existing Shares of the Company.

This share plan will be first offered to eligible executives in October 2004.

*(d) CEO Incentive Share Plan*

A CEO incentive share plan has been established where the CEO will be allocated performance rights pending the successful achievement of the required performance criteria. Upon the successful achievement of the required performance criteria, the performance rights will be converted into fully paid ordinary shares in the Company.

The shares will be either issued by the Company or purchased on market at the relevant price at date of purchase. The shares will rank equally in all respects with the existing Shares of the Company.

This share plan will be first offered during October 2004.

People Telecom Limited  
(formerly Swiftel Limited)  
Notes to the Financial Statements  
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**Note 31: Impact of Adopting AASB equivalents to IASB Standards**

For reporting periods beginning on or after 1 January 2005, the Company must comply with International Financial Reporting Standards (IFRS). These changes will affect the way certain items are reported in the consolidated entity's financial statements.

*Impacts of Current Accounting Policies*

The most significant changes to accounting treatment under IFRS as it applies to the consolidated entity is related to the accounting for income tax, and intangible assets being patents, licences and goodwill.

In relation to income tax, under IFRS, deferred tax assets in respect of tax losses can be recognised when it is probable that the tax losses can be recouped. This is less stringent than the current recognition requirements and the introduction of the IFRS may result in a deferred tax asset being recognised in respect of the tax losses disclosed in Note 4.

In relation to intangibles, and in particular goodwill on acquisition of People Telecommunications Limited (formerly People Telecom Limited), under IFRS, the goodwill will not be amortised but will be subject to an annual impairment test. The Company will be required to test the values attributed to goodwill for impairment on at least an annual basis.

*Initial Assessment of the impact of IFRS*

Relevant staff has undertaken training on the potential impacts of IFRS by attending presentations made by industry bodies.

*Implementation and Management of Changes*

The consolidated entity is committed to implementing the above mentioned changes in policies effective 1 July 2004 so to as ensure that the IFRS opening balances and comparatives for the 2006 financial statements are correctly stated.

People Telecom Limited  
Directors' Declaration

In accordance with a resolution of the directors of People Telecom Limited (formerly Swiftel Limited), I state that:

1. In the opinion of the directors:

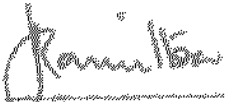
(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) At the date of this declaration the company's ability to continue as a going concern and to pay its debts as and when they become due and payable is dependent upon the company successfully achieving the matters set out in Note 1(a) of the financial statements. The Directors believe that at the date of signing the financial report there are reasonable grounds to believe that the company will achieve these matters and thus will be able to pay its debts as and when they become due and payable.

On behalf of the Board

  
Barry Hamilton  
Chairman

Dated this 30<sup>th</sup> day of September 2004



# PITCHER PARTNERS

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CONSULTANTS  
J S YOUNG  
D G BARRIDALE  
P S ROWE

AN INDICATOR OF WHAT IS AVAILABLE INTERNATIONALLY OFFICES THROUGHOUT THE WORLD

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF People Telecom Limited

### Scope

We have audited the financial report of People Telecom Limited ("the company") for the financial year ended 30 June 2004 comprising the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements.

The financial report includes the consolidated financial statements 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. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In our opinion, the financial report of People Telecom Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional requirements in Australia.

Pitcher Partners

W.M. Wilson

Partner

Sydney

30 September 2004