



PowerTel Limited

ABN 69 001 760 103

Appendix 4D

Half-Year Report

For the Half-Year Ending 30 June 2006

(Corresponding Half-Year Ending 30 June 2005)

(This information should be read in conjunction with the 31 December 2005 Annual Report.)

Results for Announcement to the Market

				\$A'000
Revenues from ordinary activities	up	3.9%	to	98,571
Profit from ordinary activities after tax attributable to members	up	n/c*	to	588
Net profit for the period attributable to members	up	n/c*	to	588

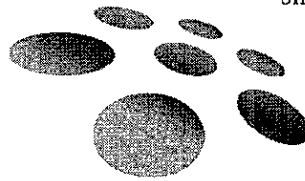
*the percentage change cannot be calculated because in the previous corresponding period, a loss was recorded.

Dividends

The company is not proposing to pay any dividend.

Attachments

Media Release
Half Year Financial Report – 30 June 2006



31 August 2006

MEDIA RELEASE

GOOD NEWS AS POWERTEL CELEBRATES ITS FIRST PROFIT!

PowerTel's first half results for 2006 confirmed the company's upward trajectory with the announcement of its first profit.

Chairman, John Conde, said: "Under the leadership of Managing Director, Paul Broad, who took over the reins of the organisation two years ago, PowerTel has achieved its best results ever. We are particularly pleased with the earnings growth momentum and the delivery of operating leverage in the business."

The highlights of the company's financial performance include:

- The achievement of Net profit of \$0.6m; up \$10m from a loss of \$9.4m in the first half of 2005
- \$19.4m Operating Cash Flow: A 331% increase over the first half of 2005
- EBITDA of \$18.3m: A 52.5% increase over the first half of 2005, exceeding first half guidance

"While we are pleased with today's results, confirming the difficult decisions we made in 2005, we are mindful we are still operating in a tough regulatory environment and very competitive telecommunications market," Paul Broad said.

"We are moving ahead with cautious optimism. The next 12 months will further consolidate our position as we grow our network of wholesale business partners and channel clients.

"The strategic alliance with iiNet provides PowerTel with significant coverage in regional centres and all major metropolitan capital cities around the country, making us the second largest access network in Australia.

"Today's announcement is great news for our investors but now we need to continue to work hard to maintain our acceleration," he said.

GUIDANCE FOR FULL YEAR 2006

PowerTel expects to deliver revenue of between \$196 and \$200 million and EBITDA of between \$37 and \$39 million for the full year to December 2006.

FURTHER INFORMATION:

Louise Di Francesco
VERVE (02) 8234 4300 or (0418) 617 869

PowerTel Limited
ABN 69 001 760 103

Half Year Financial Report – 30 June 2006

PowerTel Limited
Half Year Financial Report
30 June 2006

Contents

	Page
Directors' Report	3
Condensed Consolidated Income Statement	6
Condensed Consolidated Balance Sheet	7
Condensed Consolidated Statement of Changes in Shareholders Equity	8
Condensed Consolidated Cash Flow Statement	9
Notes to the Financial Statements	10
Directors' Declaration	16
Independent Review Report	17

PowerTel Limited Directors' Report

The directors of PowerTel Limited submit their report together with the financial report for the half year ended 30 June 2006.

Directors

The names of the directors of PowerTel Limited in office during the whole of the half year and up to the date of this report are:

J.C. Conde, AO (appointed Chairman, 29 May 2006)
P.A. Broad (Managing Director)
J. W. Troy
E. F. Sippel
J. H. Veeneklaas
M.J. Brennan (Alternate)

R.M. Griffin, AM, was a director and chairman from the beginning of the financial year until his planned retirement at the conclusion of the Annual General Meeting on 29 May 2006.

Principal Activities

The principal activities of the PowerTel Limited and its controlled subsidiaries ("the Group") during the half year consisted of the provision of business telecommunications services to the corporate, wholesale and small to medium enterprise markets in Australia.

Review of Operations

The Group earned positive net profit for the period of \$0.6 million. This achievement is a major milestone in the history of the Group. The net profit of the Group for the half year ended 30 June 2006 of \$0.6 million represents a significant turnaround on the net loss of \$9.4 million for the half year ended 30 June 2005.

Revenue

Total revenue for the half year ended 30 June 2006 was \$98.6 million compared to \$94.9 million for the half year ended 30 June 2005, a 3.9% increase. The increase in revenue was due to new customers being brought onto the Group's network and providing increased services to existing customers.

Gross Margin

The gross margin from communications services improved to 48.2% from 47.8% in the previous corresponding period. The improved margins were a result of strict cost control and network optimization initiatives.

Operating Expenses

Operating expenses decreased by 14.2% over the previous corresponding period as a result of organisational restructure conducted in 2005 and continued cost management focus.

EBITDA

As a consequence of the revenue growth and improved gross margin, earnings before significant items, net interest, tax, depreciation and amortisation (EBITDA) was a profit of \$18.3 million for the half year ended 30 June 2006 compared to a profit of \$12.0 million for the half year ended 30 June 2005 an increase of 52.5%.

PowerTel Limited
Directors' Report
(continued)

Ratios

Basic profit per share for the half year ended 30 June 2006 was 0.5 cents per share compared to a basic loss per share of 7.4 cents per share in the corresponding prior period. Diluted profit per share for the half year ended 30 June 2006 was 0.4 cents per share compared to a loss per share of 7.0 cents per share in the corresponding prior period.

The net tangible asset backing per ordinary security was 72.3 cents as at 30 June 2006 compared to 69.0 cents as at 30 June 2005.

Significant Changes in the State of Affairs

The Group formed a strategic alliance with iiNet Limited ("iiNet"), the third largest Internet Service Provider in Australia and New Zealand. Under the alliance the Group has committed to a 14.9% placement in iiNet in two tranches. The first tranche of 12,600,000 shares representing 10.35% of issued capital was placed on 2 June 2006. Under the Alliance, the Group holds the exclusive right to wholesale broadband services over the iiNet access network.

Significant Events After The Balance Date

iiNet – Tranche 2 Placement

On 24 August 2006, iiNet agreed to issue 3,763,986 shares to the Group at a price of 69.6 cents, which is the volume weighted average price of iiNet shares over the prior week.

The second tranche placement was provided for in the Placement Agreement of 26 May 2006 at a price of 85 cents per share, which was conditional on a number of conditions precedent. A number of these conditions were not met including a floor on the trading price of the stock set at 75 cents. iiNet and the Group nonetheless agreed to proceed with the placement at a price which was more reflective of the trading history at the time.

iiNet – On Market Purchases

Since the end of the half-year a further 5,486,915 shares of iiNet were purchased on market at an average price of 70.2 cents per share.

iiNet – Current Holding

The Group currently holds 21,850,901 shares of iiNet at an average price of 78.6 cents per share.

Rounding

The parent entity is a company of the kind specified in Australian Securities and Investments Commission Class Order 98/100. In accordance with that class order, amounts in the consolidated financial statements and the directors' report have been rounded to the nearest thousand dollars unless specially stated to be otherwise.

**PowerTel Limited
Directors' Report
(continued)**

Auditors' Independence Declaration

We have obtained the following independence declaration from our auditors, Ernst & Young.



■ Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

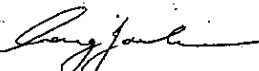
■ Tel 61 2 9248 5555
Fax 61 2 9240 5959
DX Sydney Stock
Exchange 10172

CPO Box 2646
Sydney NSW 2001

Auditors' Independence Declaration to the Directors of PowerTel Limited

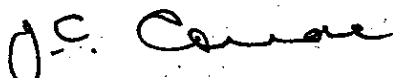
In relation to our review of the financial report of PowerTel Limited for the half-year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.


Ernst & Young


Craig M Jackson
Partner
Sydney
31 August 2006

Liability limited by Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Signed in accordance with a resolution of the directors.


J.C. Conde, AO
Director

Sydney
31 August, 2006

PowerTel Limited
Condensed Consolidated Income Statement
For the half year ended 30 June 2006

	Notes	Half year ended 30 June	
		2006 \$'000	2005 \$'000
Revenue	4	98,571	94,875
Cost of Sales		(50,816)	(49,446)
Gross Profit		47,755	45,429
Other Expenses	4	(45,124)	(52,572)
Profit/(Loss) from continuing operations before tax and finance costs		2,631	(7,143)
Finance Costs		(2,043)	(2,276)
Profit/(Loss) before income tax		588	(9,419)
Income Tax Expense	5	-	-
Net Profit/(Loss) attributable to members of the parent entity		588	(9,419)
Earnings per share (cents per share)			
-basic for profit/(loss) for the half-year		0.5	(7.4)
-diluted for profit/(loss) for the half year		0.4	(7.0)

The above Condensed Consolidated Income Statement should be read in conjunction with the accompanying notes.

PowerTel Limited
Condensed Consolidated Balance Sheet
As at 30 June 2006

	Notes	30 June 2006 \$'000	31 December 2005 \$'000
Current assets			
Cash and cash equivalents		14,117	7,481
Trade receivables		30,501	35,562
Other assets		5,134	6,303
Total current assets		49,752	49,346
Non-current assets			
Available for sale financial assets	7	9,644	1,953
Property, plant and equipment		128,716	136,707
Intangibles		32,222	32,222
Deferred tax assets	8	1,597	-
Other assets		2,676	2,807
Total non-current assets		174,855	173,689
Total assets		224,607	223,035
Current liabilities			
Trade and other payables		30,181	31,539
Interest bearing loans and borrowings		1,144	12,220
Deferred revenue		8,597	9,406
Provisions		5,037	4,986
Total current liabilities		44,959	58,151
Non-current liabilities			
Interest bearing loans and borrowings		48,003	33,233
Deferred revenue		2,873	3,004
Provisions		3,715	3,765
Total non-current liabilities		54,591	40,002
Total liabilities		99,550	98,153
Net assets		125,057	124,882
Equity			
Issued Capital		591,895	591,501
Accumulated losses		(465,286)	(465,874)
Other Reserves		(1,552)	(745)
Total equity		125,057	124,882

The above Condensed Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

PowerTel Limited**Condensed Consolidated Statement of Changes in Shareholders Equity**

For the half year ended 30 June 2006

	Issued Capital	Retained Earnings	Other Reserves	Total
	\$'000	\$'000	\$'000	\$'000
At 1 January 2005	589,984	(457,870)	(485)	131,629
Loss for the period	-	(9,419)	-	(9,419)
Loss on available for sale assets	-	-	(1,527)	(1,527)
Shared based benefits	-	-	354	354
Shares issued under employee share plans	117	-	-	117
Shares vested under ELTIP	857	-	-	857
At 30 June 2005	590,958	(467,289)	(1,658)	122,011
	\$'000	\$'000	\$'000	\$'000
At 1 January 2006	591,501	(465,874)	(745)	124,882
Profit/(Loss) for the period	-	588	-	588
Loss on available for sale assets, net of tax	-	-	(1,474)	(1,474)
Shared based benefits	-	-	667	667
Shares issued under employee share plans	394	-	-	394
Shares vested under ELTIP	-	-	-	-
At 30 June 2006	591,895	(465,286)	(1,552)	125,057

PowerTel Limited
Condensed Consolidated Cash Flow Statement
For the half year ended 30 June 2006

	Half year ended 30 June	
	2006	2005
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	111,236	100,286
Payments to suppliers and employees	(89,239)	(92,565)
Corporate expansion and restructuring costs	(711)	(633)
Interest received from unrelated party	214	224
Interest and other finance costs paid	(2,104)	(2,763)
Net operating cash flows	19,396	4,549
Cash flows from investing activities		
Payments for property, plant and equipment	(5,286)	(7,892)
Receipt for sale of property, plant and equipment	229	-
Corporate restructuring costs	(303)	(1,419)
Net investing cash flows	(5,360)	(9,311)
Cash flows from financing activities		
Proceeds from issue of shares	-	857
Repayment of borrowings	(6,500)	(4,825)
Loan establishment costs	(98)	(1,195)
Repayment of finance lease principal	(802)	(1,129)
Net financing cash flows	(7,400)	(6,292)
Net increase/(decrease) in cash held	6,636	(11,054)
Cash at the beginning of the half year	7,481	14,895
Cash at the end of the half year	14,117	3,841

1. CORPORATE INFORMATION

PowerTel Limited is a company, incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The financial report for the half-year ended 30 June 2006 was authorised in accordance with a resolution of directors on 31 August 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the Corporations Act 2001 and applicable Australian Accounting Standards, including AASB 134 *Interim Financial Reporting*. The half-year report has been prepared on an historical cost basis, except for available-for-sale assets that have been measured at fair value.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of the Group as at 31 December, 2005. It is also recommended that the half-year financial report be considered together with any public announcements made by the Group during the half year ended 30 June 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half-year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under the ASIC Class Order 98/100. The Company is an entity to which the class order applies.

For the purposes of preparing the half-year financial report the half year has been treated a discrete reporting period.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 December 2005. Adoption of new or amending standards mandatory for the periods beginning on or after 1 January 2006 has not resulted in any changes to accounting policy.

(c) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of PowerTel Limited and its subsidiaries ("the Group").

(d) Available for sale financial assets

The Group has a number of strategic investments in small listed telecommunication companies which operate, to varying extents, in thinly traded markets. These are recognised as available for sale financial assets in the financial statements. In these and previous financial statements prepared in accordance with Australian equivalents to International Financial Reporting Standards the share price of these companies has been used as the indicator of fair value for the Group's strategic investments in the companies. As a

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Available for sale financial assets (continued)

consequence, movements in the share price have been recognised directly in equity in order to account for changes in the fair value of the strategic investments in accordance with the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

Management has undertaken a review of the accounting treatment for these strategic investments. This review has indicated that these investments are not impaired. The review also indicated that the share price does not necessarily provide an appropriate measure of fair value. Accordingly, the Group is in the process of developing valuation methodologies which will provide more appropriate measures of fair value for its strategic investments.

3. Segment Information

The Group operates in one business segment being business telecommunications and in one geographical segment being Australia.

4. Revenue and Expenses

(a) Specific Items

The profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the Group:

	2006	2005
	\$'000	\$'000
(i) Revenue		
Business Communications	98,062	94,689
Finance Income	213	186
Rental Subleases	296	-
(ii) Expenses		
Staff and Related Costs	20,512	22,189
Network Operating & Maintenance Costs	2,791	3,392
Rental Costs	1,764	2,019
Depreciation	15,345	18,662
Restructuring Costs	494	657
Borrowing Costs	2,043	2,276

PowerTel Limited
Notes to the Financial Statements
30 June 2006

4. Revenue and Expenses (continued)

(b) Profit on Ordinary Activities.

The profit/(loss) on ordinary activities before income tax for the half-year ended 30 June 2006 comprises the following:

	2006	2005
	\$'000	\$'000
Profit on ordinary activities before significant items, depreciation and amortisation, net interest and income tax	18,257	11,990
Significant Items:		
Restructuring costs (1)	(494)	(657)
Profit on ordinary activities after significant items and before depreciation and amortisation, net interest and income tax	17,763	11,333
Net Interest & Borrowing Costs	(1,830)	(2,090)
Depreciation	(15,345)	(18,662)
Net profit/(loss) on ordinary activities before income tax	588	(9,419)

- (1) During the year the company incurred restructuring costs including internal restructuring and costs in relation to potential acquisitions.

(c) Seasonality of Operations.

The Group's activities are not subject to significant seasonality factors.

(d) Revision of Accounting Estimates.

Except in relation to the recoupment of prior year income tax losses and tax losses associated with unrecognised capital losses, there were no revisions to estimates used in the preparation of the financial statements. Refer to note 5 and 8.

5. Income Tax

The prima facie tax, using tax rates applicable in the country of operation, on profit differs from the income tax provided in the financial statements as follows:

	CONSOLIDATED	
	2006	2005
	\$'000	\$'000
Profit/(Loss)	588	(9,419)
Prima facie tax on profit/(loss) at 30% (2005 at 30%)	176	(2,826)
Tax effect of amounts which are not deductible (Taxable) in calculating taxable income	186	28
Deferred tax asset not recognised	-	2,122
Prior year tax losses not recognised now recouped	(1,196)	-
Deferred tax expense relating to origination and reversal of temporary differences	834	676
Income tax expense/(benefit) attributable to profit/(loss)	-	-

Amounts Recognised directly in Equity

Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity related to Available for sale financial assets.

Net deferred tax – credited directly to Equity	<u>1,597</u>	-
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6. Financing Arrangements

At 30 June 2006, the Group had access to the following financing facilities:

	CONSOLIDATED		
	Facility	Drawn down	Unused
	\$'000	\$'000	\$'000
30 June 2006			
Bank loan facilities	59,000	49,236	9,764
31 December 2005			
Bank loan facilities	50,000	44,626	5,374

Bank Loan Facility

On 2 June 2006 the Group amended its existing loan facility with Westpac Banking Corporation. The amended facility made available additional facilities of \$15,000,000 and removed the requirement for compulsory repayments of principal to be made on a quarterly basis.

7. Available for Sale Financial Assets

	CONSOLIDATED	
	30 Jun	31 Dec
	2006	2005
	\$'000	\$'000
Non-current		
At fair value:		
Shares		
Listed on prescribed stock exchange	9,644	1,953
Total non-current available for sale financial assets	9,644	1,953

Listed Shares.

On 2 June 2006 the Group purchased 12,600,000 shares in iiNet Limited, representing 10.35% of issued capital. iiNet Limited is a public company listed on the Australian Stock Exchange.

8. Deferred Tax Assets

	CONSOLIDATED	
	2006	2005
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
<i>Amounts recognised directly in Equity</i>		
Loss on revaluation of available for sale assets	<u>1,597</u>	-
Net deferred tax assets	<u><u>1,597</u></u>	-

9. Significant Events After The Balance Date

iiNet – Tranche 2 Placement

On 24 August 2006, iiNet agreed to issue 3,763,986 shares to the Group at a price of 69.6 cents, which is the volume weighted average price of iiNet shares over the prior week.

The second tranche placement was provided for in the Placement Agreement of 26 May 2006 at a price of 85 cents per share, which was conditional on a number of conditions precedent. A number of these conditions were not met including a floor on the trading price of the stock set at 75 cents. iiNet and the Group nonetheless agreed to proceed with the placement at a price which was more reflective of the trading history at the time.

iiNet – On Market Purchases

Since the end of the half-year a further 5,486,915 shares of iiNet were purchased on market at an average price of 70.2 cents per share.

iiNet – Current Holding

The Group currently holds 21,850,901 shares of iiNet at an average price of 78.6 cents per share.

PowerTel Limited
Directors' Declaration
30 June 2006

In accordance with a resolution of the directors of PowerTel Ltd, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Group:
 - (i) give a true and fair view of the financial position as at 30 June 2006 and the performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



J.C. Conde, AO
Director

Sydney
31 August 2006

Independent review report to members of PowerTel Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both PowerTel Limited "(the company)" and the entities it controlled during the half year ended 30 June 2006, and the directors' declaration for the company, for the half year ended 30 June 2006.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

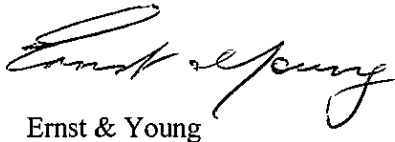
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our review of the financial report we were engaged to undertake other non-audit services. The provision of these services has not impaired our independence.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising PowerTel Limited and the entities it controlled during the half year ended 30 June 2006 is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 30 June 2006 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Craig M Jackson
Partner
Sydney
31 August 2006