



PowerTel Limited

ABN 69 001 760 103

Appendix 4D

Half Year Report

Period Ending 30 June 2004

(Corresponding Period Ending 30 June 2003)

(This information should be read in conjunction with the 31 December 2003 Annual Report.)

Results for Announcement to the Market

				\$A'000
Revenues from ordinary activities	up	29.2%	to	76,469
(Loss) from ordinary activities after tax attributable to members	down	30.1%	to	(11,148)
Net (loss) for the period attributable to members	down	30.1%	to	(11,148)

Dividends

The company is not proposing to pay any dividend.

Attachments

Media Release
Key Financials
Half Year Financial Report – 30 June 2004



Media Release

10 August 2004

POWERTEL STEPS UP INTO ANOTHER LEAGUE

What a difference a day makes ... or in the case of telecommunications and services provider, PowerTel, six months.

CEO Shane Allan was optimistic about the future today as he presented PowerTel's Half Yearly Results and showed the markets a company focused on strategic growth and expanding capability in business telecommunications.

With operational revenues up 29.2% to \$76.2m for the half year ended 30 June 2004, compared with \$59m for the half year ended June 2003, and EBITDA increased 96% to \$9.8m for the same period up from \$5m, PowerTel is a re-vamped entity now offering customers fibre-optic and DSL broadband services nationally. Gross margins have also improved with an increase from 43% to 45% through continued focus on costs.

"The acquisition and integration of Request is complete and we are expanding into Perth and Adelaide," Mr Allan confirmed.

"We continue to roll out DSL exchanges with 85 currently in service and we are on track for another 21 by the end of 2004.

"In addition, we have deployed a network capability into Adelaide and Perth to give IP VPN and total Ethernet solutions to these cities.

And by the end of August, we will have completed the installation of additional bandwidth capacity from Sydney to Melbourne, and Melbourne to Adelaide and Perth. The Melbourne to Perth link represents an increase of 500% over current capacity and means we can now provide a full-service offering to business customers nationally.

"I believe our focused, full-service product offering, competitive pricing and personal customer attention position us as a serious contender to Telstra and Optus in the business market," he said.

The acquisition of Request, its DSL capacity and its access to the business market via established distribution channels has been a major catalyst in PowerTel's growth. This upward trend is set to continue as the integration between both organisations is completed and product and infrastructure synergies add to PowerTel's national capability.

Products such as PowerTel's popular AccessAdvantage service, a bundled broadband internet and Voice over DSL solution specifically developed for the SME market, has been made available to PowerTel Partners, as the former Request sales channels are now known.

Future initiatives include the release of a new firewall feature for VPN products scheduled for September and the launch of Network-based Interactive Voice Recording by the end of October if the current installation and test phase proceeds as scheduled.

"We have spent the past few months consolidating our position, further building and refining our infrastructure for voice and data services and refining our sales and marketing strategies," Mr Allan said.

"Based on the strong performance in the first half, we forecast continued strong performance in the third quarter with revenue for the nine months to September in the range of \$118-121m and EBITDA of \$16-17m, providing a 32-36% revenue growth and 98-110% EBITDA growth over the previous corresponding period. We also expect to remain self funded during the quarter.

"We now look forward to increasing our customer base and continued accelerated growth for the next quarter," he said.

FOR FURTHER INFORMATION: LOUISE DI FRANCESCO, VERVE COMMUNICATIONS (02) 8234 4300 OR (0418) 617 869

NEW CFO FOR POWERTEL

James Orlando, Chief Financial Officer

James Orlando joined PowerTel as Chief Financial Officer in May 2004. During his 18-year telecommunications finance career, he has held numerous senior level positions at large and growing companies.

Most recently, he was Chief Financial Officer of Santera Systems Inc., a telecommunications switching company based in Dallas, Texas, where he raised more than \$120m in equity and debt finance in support of the company's growing sales. In 2003, he transformed the company into a telecom survivor through the completion of a merger transaction with a public company.

Prior to Santera, James was Assistant Treasurer International and Project Finance at Lucent Technologies where he led a world-wide team responsible for originating the company's multi-billion dollar vendor finance portfolio.

Based in Hong Kong from 1989 to 1998, James was Managing Director of AT&T and Lucent's treasury and project finance group for the Asia/Pacific region, where he supported the companies rapidly expanding wireless and wireline infrastructure businesses.

James has a Master of Business Administration from Wharton School of Finance and a BS Economics from Cornell University. He was also a member of the Advisory Committee of the US Export-Import Bank and holds the CFA certification.

POWERTEL FINANCIAL RESULTS – A SNAPSHOT

Key Financials

	Half Year Ended 30 June 2004 \$m	Half Year Ended 30 June 2003 \$m	Variance %
Revenue from Operations	76.2	59.0	Up 29.2%
Total Revenue	76.5	59.2	Up 29.2%
EBITDA	9.8	5.0	Up 96.0%
Significant Items	(1.1)	(0.2)	
Depreciation & Amortisation	(17.5)	(16.4)	
EBIT	(8.8)	(11.6)	Down 24.1%
Net Borrowing Costs	(2.3)	(4.4)	
Net Loss after Tax	(11.1)	(16.0)	Down 30.6%
Capital Expenditure	4.8	5.6	Down 14.3%
Net Cash Flow	(1.6)	(7.0)	Up 77.1%

PowerTel Limited

ABN 69 001 760 103

Half Year Financial Report – 30 June 2004

PowerTel Limited
Half Year Financial Report
30 June 2004

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PowerTel Limited Directors' Report

The directors submit their report together with the financial report for the half year ended 30 June 2004.

Directors

The names of the directors of the company in office during or since the end of the half year are:

R.M.Griffin, AM (Chairman)
J. Troy
E. Sippel
J. Veeneklaas (Appointed 22 June 2004)
P.A. Broad (Resigned 28 May 2004)

Unless otherwise indicated, all directors held their position as a director throughout the entire half year and up to the date of this report.

Principal Activities

The principal activities of the consolidated entity during the half year consisted of the provision of broadband telecommunications services to the corporate, wholesale and small to medium enterprise markets in Australia.

Review of Operations

The net loss of the consolidated entity for the half year ended 30 June 2004 was \$11.1 million compared to a net loss of \$16.0 million for the half year ended 30 June 2003 (down by 30.1%).

Revenue

Total revenue for the half year ended 30 June 2004 was \$76.5 million compared to \$59.2 million for the half year ended 30 June 2003, a 29.2% increase. The increase in revenue was due to new customers being brought onto the company's network, providing increased services to existing customers and the increase in customers and services provided as a result of the acquisition of Request Broadband Pty Ltd ('Request Broadband') in March 2004.

Gross Margin

The gross margin improved to 45.1% from 42.5% in the previous corresponding period. The improved margins were a result of strict cost control and revenue growth from a more profitable mix of products.

Operating Expenses

Operating expenses increased by 22.6% over the previous corresponding period. The increase was due to the acquisition of Request Broadband.

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 \$9.8 million for the half year ended 30 June 2004 compared to a profit of \$5.0 million for the half year ended 30 June 2003.

PowerTel Limited
Directors' Report
(continued)

Ratios

Basic loss per share for the half year ended 30 June 2004 was 10.0 cents per share compared to a basic loss per share of 73.6 cents per share in the corresponding prior period. Diluted loss per share for the half year ended 30 June 2004 was 10.0 cents per share compared to a loss per share of 62.2 cents per share in the corresponding prior period.

The net tangible asset backing per ordinary security was 87.3 cents as at 30 June 2004 compared to 67.6 cents (negative) as at 30 June 2003.

On 24 February 2004, PowerTel's shares were consolidated on a ratio of 40 to 1. The earnings per share and net tangible asset backing ratios for 30 June 2003 have been restated for the effects of the consolidation.

Significant Changes in the State of Affairs

Acquisition of Request Broadband Pty Ltd

On 24 February 2004 a General Meeting of Shareholders voted in favour of the resolutions for PowerTel to issue 1,458,333,333 (pre 40 to 1 share consolidation) ordinary shares (equivalent of 36,458,333 post consolidation) as consideration for the acquisition of Request Broadband under the Share Purchase Agreement between the Company, the Vendors and Request Broadband.

The acquisition of Request Broadband will increase PowerTel's capability of reaching customers via DSL and provide further access to the corporate market. Request Broadband has been rebranded 'PowerTel Partners' as part of PowerTel's rebranding initiatives during the period.

As a result of the acquisition, net assets increased by \$13.4 million and goodwill on acquisition of \$28.0 million was recognised.

Financing Arrangements

In connection with the acquisition, TVG provided to PowerTel a \$10 million unsecured standby credit facility in order to assist the merged company realise the synergies of the merger as quickly as possible. The facility will be available to be drawn upon for a 12 month period commencing 1 June 2004. Repayment (if drawn) cannot be before 30 June 2005 and can only be made from excess cash flow generated by the merged company after all mandatory repayments are made on the senior debt facility and that is not subject to the excess cash flow sweep payment arrangement within the senior debt facility.

40 to 1 share consolidation

On 24 February 2004 a General Meeting of Shareholders voted in favour of the resolution that the issued ordinary shares of PowerTel be converted into a smaller number of shares by consolidating them in a ratio of 40 to 1. The conversion took effect from the commencement of 25 February 2004.

Significant Events After The Balance Date


No matter or circumstance has occurred subsequent to balance date which has or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity.

PowerTel Limited
Directors' Report
(continued)

Rounding Of Amounts

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.

This report has been made in accordance with a resolution of the board of directors for and on behalf of the directors.

A handwritten signature in black ink, appearing to read 'R.M. Griffin', with a stylized flourish at the end.

R.M. Griffin, AM
Director

Sydney
9 August, 2004

PowerTel Limited
Statement of Financial Performance
For the half year ended 30 June 2004

	Notes	Half year ended 30 June	
		2004	2003
		\$'000	\$'000
Revenue from ordinary activities			
Fixed Line Communication		76,162	58,991
Total operating revenue		76,162	58,991
Other Revenue		307	202
Total revenue		76,469	59,193
Expenses from ordinary activities			
Direct Costs of Providing Services		(41,809)	(33,919)
Staff and Related Costs		(15,913)	(13,449)
Network Operating & Maintenance Costs		(2,389)	(1,391)
Rental Costs		(1,931)	(1,687)
Other Operating Expenses		(4,271)	(4,039)
Depreciation and Amortisation		(17,518)	(16,414)
Reversal of Provision for Diminution in Value of Shares		407	306
Restructuring Costs		(1,494)	-
Borrowing Costs		(2,699)	(4,552)
Loss on ordinary activities before income tax	2	(11,148)	(15,952)
Income Tax		-	-
Net Loss attributable to members of the parent entity		(11,148)	(15,952)
Total changes in equity other than those resulting from transactions with owners as owners		(11,148)	(15,952)
Basis earnings per share (cents per share)		(10.0)	(73.6)
Diluted earnings per share (cents per share)		(10.0)	(62.2)

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

On 24 February 2004, PowerTel's shares were consolidated on a ratio of 40 to 1. The earnings per share and net tangible asset backing ratios for 30 June 2003 have been restated for the effects of the consolidation.

PowerTel Limited
Statement of Financial Position
As at 30 June 2004

	Notes	30 June 2004 \$'000	31 December 2003 \$'000
Current assets			
Cash assets		9,591	11,225
Receivables		23,684	17,313
Other		6,257	3,498
Total current assets		39,532	32,036
Non-current assets			
Other financial assets		4,583	4,176
Property, plant and equipment		159,076	156,031
Intangibles	1, 5	27,993	-
Other	1	7,518	1,058
Total non-current assets		199,170	161,265
Total assets		238,702	193,301
Current liabilities			
Payables		26,833	22,592
Interest bearing liabilities	4	13,477	2,675
Deferred revenue		1,600	1,600
Deferred consideration	5	2,277	-
Provisions		1,539	1,160
Total current liabilities		45,726	28,027
Non-current liabilities			
Interest bearing liabilities	4	42,063	50,825
Deferred revenue		5,520	6,320
Other provisions		363	414
Other		276	-
Total non-current liabilities		48,222	57,559
Total liabilities		93,948	85,586
Net assets		144,754	107,715
Equity			
Contributed equity		593,992	545,805
Accumulated losses		(449,238)	(438,090)
Total equity		144,754	107,715

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

PowerTel Limited
Statement of Cash Flows
For the half year ended 30 June 2004

	Notes	Half year ended 30 June	
		2004 \$'000	2003 \$'000
Cash flows from operating activities			
Receipts from customers		83,171	60,194
Payments to suppliers and employees		(77,169)	(58,093)
Other restructuring costs		(1,708)	-
Interest received		307	202
Interest paid		(1,491)	(3,681)
Net operating cash flows		3,110	(1,378)
Cash flows from investing activities			
Payments for property, plant and equipment		(4,766)	(5,646)
Purchase of controlled entity	5	526	-
Net investing cash flows		(4,240)	(5,646)
Cash flows from financing activities			
Repayment of finance lease principal		(504)	-
Net financing cash flows		(504)	-
Net decrease in cash held		(1,634)	(7,024)
Cash at the beginning of the half year		11,225	11,703
Cash at the end of the half year		9,591	4,679

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

PowerTel Limited
Notes to the Financial Statements
30 June 2004

1. Basis of Preparation of the Half year Financial Report

These general purpose financial statements have been prepared for the half year ended 30 June 2004 in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards including AASB 1029 “ Interim Financial Reporting” and Urgent Issues Group Consensus Views. The notes to the financial statements do not include all information normally contained within the notes to an 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 consolidated entity as the full financial report. It is recommended that this report be read in conjunction with the 31 December 2003 Annual Report and any public announcements made by PowerTel Limited and its controlled entities during the half year in accordance with the continuous disclosure obligations of the Corporations Act 2001 and the Australian Stock Exchange.

The accounting policies used are consistent with those applied in the 31 December 2003 Annual Report except for the new accounting policies noted below. This financial report has been prepared in accordance with the historical cost convention and has not taken into account changes in either the general purchasing power of the dollar or in the prices of specific assets. The half year financial report is prepared on a going concern basis.

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

Intangibles

Intangibles relate to goodwill on acquisition. Goodwill on acquisition represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of the acquisition of a business or shares in a controlled entity. Goodwill is amortised on a straight line basis over the period during which benefits are estimated to be received. This is expected to be 10 years.

Share Based payments

Shares issued under the Executive Long Term Incentive Plan are recognised at the fair value of the consideration received by the company. Where employees are provided with loans to finance the purchase of shares under the Executive Long Term Incentive Plan, the loans are recognised as Other Non-Current Assets and stated at the lower of cost and recoverable amount. Share Based payments are not expensed in accordance with current Australian Accounting Standards.

2. Loss on Ordinary Activities

The loss on ordinary activities before income tax to 30 June comprises of the following:

	Half Year Ended 30 June	
	2004	2003
	\$'000	\$'000
Profit / (loss) on ordinary activities before significant items, depreciation and amortisation, net interest and income tax	9,849	5,001
Significant items:		
- Reversal of provision for diminution in the value of shares held in Macquarie Corporate Telecommunications Holding Ltd	407	306
- Restructuring costs	(1,494)	-
- Equity raising and change in control costs	-	(495)
Borrowing costs	(2,392)	(4,350)
Depreciation and amortisation	(17,518)	(16,414)
Net loss on ordinary activities before income tax	(11,148)	(15,952)

3. Segment Information

The consolidated entity operates in one business segment being broadband telecommunications and in one geographical segment being Australia.

4. Financing Arrangements

At 30 June 2004, the consolidated entity had access to the following financing facilities:

30 June 2004

	CONSOLIDATED		
	Facility	Drawn down	Unused
	\$'000	\$'000	\$'000
Bank loan facilities	53,500	53,500	-
Standby Credit Facility	10,000	-	10,000

The consolidated entity has a syndicated senior secured medium-term facility with six banks for a five year term. The agreement provides PowerTel Limited with funds for ongoing capital expenditure and working capital requirements associated with the development of its fibre optic network.

In connection with the acquisition of Request Broadband Pty Ltd, TVG provided to PowerTel a \$10 million unsecured standby credit facility in order to assist the merged company realise the synergies of the merger as quickly as possible. The facility is available to draw upon for a 12 month period commencing 1 June 2004. Repayment (if drawn) cannot be before 30 June 2005 and can only be made from excess cash flow generated by the merged company after all mandatory repayments are made on the senior debt facility and that is not subject to the excess cash flow sweep payment arrangement within the senior debt facility.

5. Controlled Entities Acquired in the Period

On 24 February 2004 a General Meeting of Shareholders voted in favour of the resolutions for PowerTel to issue 1,458,333,333 (pre 40 to 1 share consolidation) ordinary shares (equivalent of 36,458,333 post consolidation) as consideration for the acquisition of Request Broadband Pty Ltd (Request Broadband) and its 100% subsidiary Request Business Solutions Pty Ltd under the Share Purchase Agreement between the Company, the Vendors and Request Broadband.

On 5 March 2004, PowerTel acquired 100% of the voting share capital of Request Broadband Pty Ltd and Request Business Solutions Pty Ltd. The country of incorporation for both companies is Australia.

The issue of shares as consideration for Request Broadband is to be made in 3 tranches. As at 30 June 2004, one tranche remained to be issued for a total of 2,448,188 ordinary shares. The third tranche of shares will be issued in September 2004. This amount is classified as deferred consideration in the Statement of Financial Position at 30 June 2004.

Based on the share price of PowerTel ordinary shares at the date of issue of the shares and 30 June 2004 for the deferred shares, total consideration for Request Broadband is as follows:

Consideration	\$'000
Ordinary shares - issued	40,137
Ordinary shares - deferred	2,277
Total shares	42,414

The Request Broadband net assets acquired are:

	\$'000
Cash	526
Receivables	5,852
Other current asset	1,239
Property, plant & equipment	13,976
Total assets	21,593
Payables	6,721
Interest bearing liabilities	1,089
Provisions	327
Total liabilities	8,137
Net Assets	13,456

Net Cash Effect

Cash consideration paid	-
Cash included in net assets	526

Cash received as part of acquisition of Request as reflected in the consolidated statement of cash flows

526

The excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition, \$28,958,000, is recognised as Goodwill and amortised over the period during which benefits are expected to be received, being 10 years.

6. Executive Long Term Incentive Plan

At the 28 May 2004 Annual General Meeting, shareholders approved the PowerTel Executive Long Term Incentive Plan. The purpose of the plan is to encourage employees to share in the ownership of the company, in order to promote the long term success of the company as a goal shared by employees.

On 28 June 2004, 6,939,213 ordinary shares were issued at an issue price of \$0.998 per share, being above the volume weighted average price at which the share was traded on the Australian Stock Exchange during the 5 days prior to the date of grant of the shares. Under the plan, employees are provided with non interest bearing loans to purchase shares valued at the issue price.

Access to the shares is dependent on a number of performance hurdles. One quarter of the shares vest after 2 years from the date of issue and a further quarter each year there after.

The accounting policy adopted for the Executive Long Term Incentive Plan is described in Note 1.

7. Impact of Adopting AASB Equivalents to IFRS

PowerTel has commenced transitioning its accounting policies and financial reporting from current Australian Accounting Standards to Australian Equivalents of International Financial Reporting Standards (IFRS). The company has allocated internal resources and engaged external advisors to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of these procedures, PowerTel has graded areas as either high, medium or low and has established a dedicated project team to address each of the areas in order of priority as represented by the grading. An IFRS steering committee has been established to oversee the progress of the project team.

Set out below are the key areas where accounting policies will change and may have an impact on the financial report of PowerTel prepared under IFRS. At this stage, the company has not been able to reliably quantify the impacts on the financial report.

Goodwill

Under the Australian equivalent to AASB 3 *Business Combinations* goodwill will no longer be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy which amortises goodwill over its useful life being 10 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. As a consequence earnings will be increased as there will no longer be an amortisation charge.

Intangible Assets

Under the Australian equivalent to AASB 138 *Intangible Assets*, all identifiable intangible assets must be accounted for separately from Goodwill. It is not expected that there will be any material impact as a result of adoption of this standard.

Share based payments

AASB 2 *Share Based payments* required equity based payments to employees to be expensed based on the fair value of those equity instruments at grant date and amortised over the vesting period. The fair value will be determined using an option pricing model. Future earnings will be reduced due to the expensing of benefits.

Income Taxes

Under the Australian equivalent to AASB 112 *Deferred Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. PowerTel does not currently bring to account the future income tax benefit arising from tax losses as realisation of the benefit is not regarded as virtually certain. The test for the recognition of losses will

change under AASB 112 as a deferred tax asset will be recognised for losses where the recovery is considered to be probable.

Investments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, it is required that PowerTel categorise its financial assets as available for sale, loans and receivables, held to maturity investments or held for trading. PowerTel's investment in Macquarie Corporate Telecommunications Holdings Limited is likely to be classified as available for sale which means that the investment will be held at fair value with any increments or decrements in the value of the investment being accounted for directly in equity. Reliable estimation of the future financial effect of this change in accounting policy has not yet been made.

8. Subsequent Events

No matter or circumstance has occurred subsequent to balance date which has or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity.

PowerTel Limited
Directors' Declaration
30 June 2004

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 30 June 2004 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 1029 "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

A handwritten signature in black ink, appearing to read 'R.M. Griffin', with a stylized flourish at the end.

R.M Griffin, AM
Director

Sydney
9 August 2004

Independent review report to the members of PowerTel Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements and the other information set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules for the consolidated entity comprising both PowerTel Limited and the entities it controlled during the half-year, and the directors' declaration, for the company, for the period ended 30 June 2004.

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 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*, and the ASX Listing Rules as they relate to Appendix 4D. 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 ASX 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 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, and the ASX Listing Rules as they relate to Appendix 4D, 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*. In addition to our review of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. 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, as defined in the scope section, of PowerTel Limited and the entities it controlled during the period 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 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 “Interim Financial Reporting” and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia and the ASX Listing Rules as they relate to Appendix 4D.



Ernst & Young



Craig M Jackson
Partner
Sydney
9 August 2004