2003
ANNUAL REPORT

PocketMail™

CEO's Report

To our Shareholders,

During the course of the financial year, we completed the restructuring and rationalization of the business that we started in 2002. We have now re-invented the business and are focused on executing carefully planned business strategies and enhancing earnings growth. Improved profitability in the financial year ended 30 June 2003 reflects the success of our new business direction.

EBITDA for the year was $951,183 positive (excluding asset write downs of $184,121) (2002: $3,715,397 negative) on revenues of $10,259,954 (2002: $10,554,335). This is against the backdrop of a challenging economic climate in our largest market, the United States.

Our success to date has largely been achieved by reducing costs and using limited funds to deliver improved profitability.

We are determined to grow revenues in all areas of the business including subscriptions revenue, device sales and licensing revenues. We are on track and confident of delivering an improved performance this financial year.

Business strategy

Following our restructuring and rationalization of the business, our strategy is:

- expand distribution channels and sales for PocketMail;
- cost effectively grow subscriber base;
- continue to develop & enhance existing PocketMail service;
- increase value-add to core mobile e-mail service; and
- grow licensing revenues.

Expand distribution channels & sales

In late 2002, we increased our focus on building new revenue streams by recruiting an experienced VP Sales in the US. We also set ourselves the objective of exhibiting at a number of trade shows with a view to generating leads and building a sales pipeline.

Expand distribution channels & sales

Some of the shows at which we exhibited included the Consumer Electronics Show (Las Vegas, January 2003), Workamper Recruitment Fairs (Florida, Texas and Arizona – January 2003), National Association of Truck Stops (Orlando, February 2003), Mid-America Truck Show (Kentucky, March 2003), Coast Distribution RV & Marine Show (Las Vegas, March 2003), CeBIT (Hanover, Germany, March 2003), Oakland Sailboat Expo (Oakland, April 2003), Great America RV Rally (Kentucky, June 2003), The International Truck Show (Las Vegas, June 2003) and Great America Trucking Show (Dallas, September 2003)

Expand distribution channels & sales (cont)

Following these shows, and other activities, we now have a pipeline of sales, distribution and licensing opportunities at various stages of development.

US sales

We have continued to focus on our key vertical markets of Recreational Vehicle ("RV") owners, over-the-road truckers and cruising boaters.

Whilst PocketMail is distributed in the United States through Camping World, the world's largest retail supplier of RV parts, supplies and accessories, the RV retail industry is fragmented with a large number of small and independent players.

We are pleased to report that in June 2003, The Coast Distribution System Inc added PocketMail to the line of products that it supplies to its 15,000 RV and marine customers through its 17 distribution centers located throughout the United States and Canada. This will significantly increase the retail availability of PocketMail within the RV and boating communities, but will take time to have impact.

We are also pleased to report that we have now established our first retail distribution in the all important truck stop and travel plaza industry. With some 4,500 travel plazas and truck stops throughout the US, and each averaging annual sales of US$7.8 million (source: NATSO), this is a crucial market for us in order to reach our key trucking and RV demographics. Our retail partner in this industry is Interstate Connections ("IC"). IC has quickly become the leading supplier of mobile electronics in the over-the-road freight industry through its 65 (and rapidly growing) retail stores that it operates in Petro Truck Stops and TA Travel Centers of America.

At the June 2003 International Truck Show in Las Vegas, we announced a partnership with The Internet Truckstop, the first and largest freight matching service on the Internet, to provide mobile load-matching services for North American truckers, without using a laptop or a PC.

Using a PocketMail, and their Internet Truckstop account, truckers can now quickly and easily search The Internet Truckstop's large database of truck loads. It typically takes less than a minute to interrogate the database and receive available loads on their PocketMail.

Marketing of this service to the 300,000+ users of the Internet Truckstop will begin in October 2003. This continues our strategy of providing added value (and need) to our customers and prospective customers over and above our core mobile e-mail service.

We have also recently partnered with Truckers Home Office, a US professional services organization specializing in providing bookkeeping and tax services to truckers, to equip and provide mobile e-mail services to their trucking clients.

Canada sales

Whilst we have always offered local PocketMail access in Canada, we have never distributed PocketMail nor marketed the service there. In September 2003, we began selling PocketMail through RadioShack Canada, the leading national electronics retailer in Canada (800 store locations coast to coast). This is an exciting opportunity for PocketMail as we believe that RadioShack Canada, with its Canada-wide distribution and reputation for quality service and knowledgeable staff, makes for an ideal retail partner.

Australia sales

Due to the working capital constraints that we were under for much of the period, we were forced to allocate our scarce working capital to support our efforts in other more profitable markets (in real terms, the Australian market is characterized by lower per subscriber revenues and higher per subscriber telecommunication costs). This meant we were unable to supply product to the Australian market, and have effectively had to withdraw from most of our Australian retail channels, and temporarily from the Australian market.

Other overseas markets

In May 2003, we announced the availability of local PocketMail mobile e-mail access in 12 countries in Europe. Local access is now available in Austria, Belgium, Denmark, France, Germany, Ireland, Italy, the Netherlands, Spain, Sweden, Switzerland, and the UK. This adds to the existing local markets of USA, Canada and Australia.

We have also been developing our ability to support languages other than just English. Currently in test, we will shortly be implementing device and server changes that will allow PocketMail to display, send and receive e-mail messages in the following 26 languages: Albanian, Basque, Breton, Catalan, Danish, Dutch, English, Estonian, Faroese, Finnish, French, Frisian, Galician, German, Greenlandic, Icelandic, Irish Gaelic, Italian, Latin, Luxemburgish, Norwegian, Portuguese, Rhaeto-Romanic, Scottish Gaelic, Spanish, and Swedish.

We are working to establish distribution and expand sales in Europe, and now expect PocketMail to be available in some European markets in 2004.

Outside of Europe, North America and Australasia, we are pursuing licensing opportunities. At this time, it is the continent of Africa which is showing most promise.

Other revenues

In September 2003, we announced that through our wholly-owned US subsidiary, PocketMail Inc, we had entered into a contract with the United States Government for the use of PocketMail technology.

The initial amount contracted for and payable under this contract is approximately US$500,000.

In addition, PocketMail will provide some ongoing consulting which is not reflected in the above dollar amount.

It is expected that a substantial proportion of the initial amount contracted for will be recognized in the financial results of PocketMail Group Limited for the half year ended 31 December 2003.

Development of PocketMail product & service offerings

In February 2003, we announced that we had implemented new global networking technology so that we could service all our worldwide customers from a single Network Operations Center ("NOC") in the U.S.

This allowed us to close our NOC in Sydney, rationalize our Australian based technical staff, relocate to cheaper premises, and reduce overall costs. All this was completed during the June quarter.

Besides reducing our ongoing operating costs, the new networking technology allows us to introduce the PocketMail service to new geographic markets quickly and without the need for significant capital expenditure.

It has also enabled us to extend local PocketMail access to certain overseas countries for our customers.

We continue to develop both our product and service offerings, as well as the support systems and infrastructure on which the business relies.

Examples of recent developments include dynamic SPAM analysis and blocking, new anti-SPAM tools for customers, longer message handling, additional WebMail features, upgraded versions of device software, enhanced customer service tools, improved security, and implementation of latest VPN (virtual private network) and VOIP (voice over Internet protocol) technology between Australia and the United States.

We will be announcing further enhancements to our "anti-SPAM weaponry" and some other new exciting service additions to the PocketMail service later this calendar year. These are essential if we are to remain competitive, and meet the changing needs and expectations of our customers.

Working capital

Last year I reported that "working capital limitations have restricted our ability to fund consistent stock supply, which in turn has negatively impacted both sales of PocketMail devices and our ability to grow our subscriber base."

Regrettably, our current levels of working capital continue to remain a constraint on our ability to grow our revenues.

On 1 July 2003, we reported that we had executed a loan agreement with Silicon Valley Bank of Santa Clara, California. The loan facilities, totaling US$250,000 have been used to fund working capital and inventory acquisition.

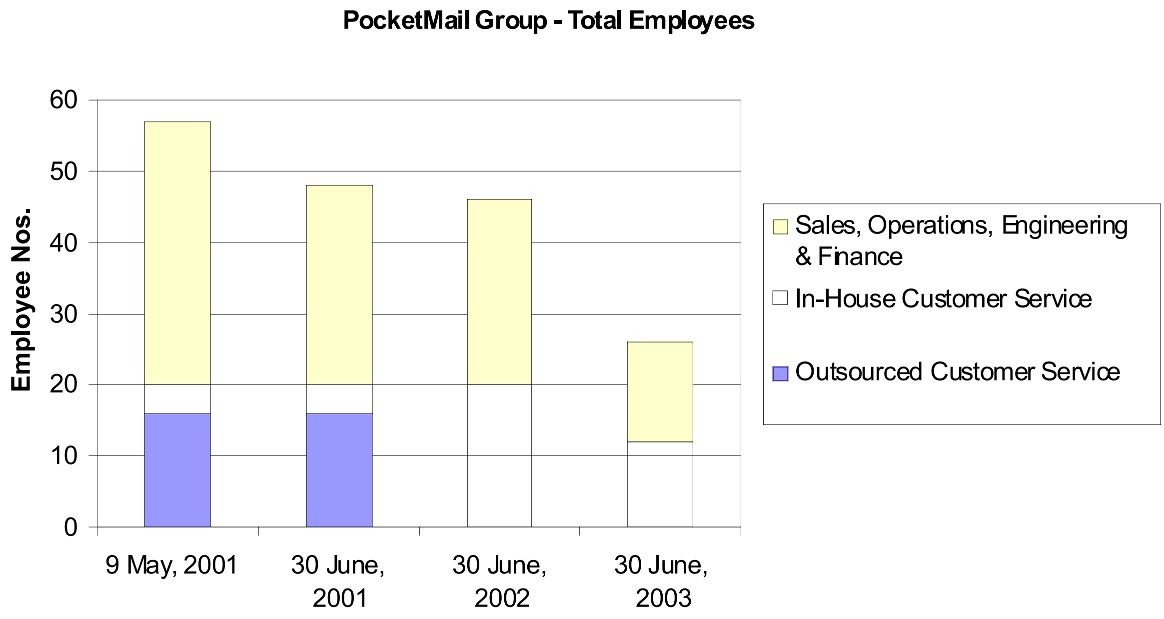
Whilst the loan facilities are relatively modest, and do not provide the working capital the business needs to grow, this is the first time that the Company has been able to secure financing in its own right, and independent of shareholder and director guarantees. This is an indication of the Company's increasing financial maturity.

The Board and management continue to explore alternatives for overcoming our working capital constraints.

Our people

Since acquiring the worldwide PocketMail business from Pocket.com back in May 2001, the business has gone through some major restructuring and rationalization.

The total number of employees (including outsourced staff) has decreased from 57 at time of acquisition to 26 as at 30 June 2003.



Our world-wide customer service is now provided in-house, and from Sydney, Australia. A smaller in-house customer service team is now delivering a higher grade of service over longer opening hours, and more cost effectively than before.

Of the 26 current employees, just 8 remain from the business as at 9 May 2001.

We have also taken the opportunity to introduce new people to the business and strengthen the team. Additions at executive level include a new VP Sales, Dean Hanson, a new Chief Financial Officer, Richard Shaw, and a new Operations Manager, Paul Selby.

All bring considerable experience to their roles and have been instrumental in the progress that the Company has made over the period.

We also welcome Rob Hodges who joined the Board in March 2003. Rob has a strong retail and carrier background, and has been supporting our international business development activities.

On a personal level, I relocated with my family in September 2002 to the United States, being our largest market.

I thank all of our talented staff for their on-going commitment, hard work and dedication.

Summary

We continue to make steady progress throughout the business. Our goal now is sustainable and increased profitability through revenue growth. I believe this can be achieved by continuing execution of our strategy outlined to you here.

We have invested in developing a sales pipeline that we expect to show return over the coming months.

We enter 2003/2004 with confidence and belief in our strategy and plans.

I thank you for your patience, and I look forward to updating you further on our progress.

David Marchant
Chief Executive Officer

Addendum
Those shareholders wishing to receive automatic e-mail notification of all public announcements made by the Company should send an e-mail to announce@pocketmail.com or register on-line at www.pocketmail.com under Corporate - Investor Information.

Directors' Report
PocketMail Group Limited and its Controlled Entities

The directors present their report together with the financial report of PocketMail Group Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2003 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Name and qualifications	Experience and special responsibilities
Chris Coudounaris B Comm (Hons), LLB Chairman Chairman of Audit Committee Non Executive Director	Chris Coudounaris was formally a partner of the international law firm Gadens Lawyers, practicing in the corporate and commercial division of the firm. He was a director of the policy and advisory firm, Keating Associates, and is currently a director of Strathfield Group Limited and Lake Technology Limited, a digital signal processing company.
Andrew Kelly Non Executive Director Member of Audit Committee Appointed 27 September 2002	Andrew Kelly founded Strathfield Car Radios in 1980. It was floated on the ASX in 1998 and today he is the single biggest shareholder exceeding 59%. He has managed and developed the company since its inception. He is currently a non-executive director of Strathfield Group Limited and a director of Kelly Group Holdings Pty Limited.
David Marchant BA (Hons) Business Studies Chief Executive Officer	Prior to his appointment as Chief Executive Officer of PocketMail Group Limited, David was CEO of United Customer Management Solutions ("UCMS"). David led UCMS through its evolution from a loss making start-up organisation to a highly profitable company recognized as a leader in customer management solutions within Australia.
Robert Hodges B Bus Economics and Marketing, RMIT, Melbourne Non Executive Director Member of the Audit Committee Appointed 18 March 2003	Robert Hodges has over 17 years experience in the telecommunications industry and has filled senior sales and marketing roles with Telstra, the Strathfield Group, SingTel Optus, Vodafone and Motorola. He is currently Business Development Manager for Kelly Group Holdings Pty Limited.

Directors (cont)

Name and qualifications	Experience and special responsibilities
Neil Lewis Non-executive Director Resigned 18 July 2002	Neil Lewis began his career in the financial services sector before founding and developing the Australian operations of Babcock & Brown Pty Limited into one of the most progressive specialist merchant banking firms. He was also a founding Principal and Joint Managing Director of Meridian International Capital Limited - a highly regarded specialist merchant banking firm. In addition, Neil is a director of the Christian Broadcasting Association Limited.
Stace Vallianos BCom member CPA (Aus) Non-executive Director Appointed 18 July 2002 Resigned 27 September 2002	Stace Vallianos is currently Financial Controller, Kelly Group Holdings Pty Limited, a group of private companies covering property development, strategic investments and retail.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee Meetings	
	A	**B**	**A**	**B**
Neil Lewis	1	1	0	0
David Marchant	11	11	3	3
Chris Coudounaris	11	11	3	3
Stace Vallianos	2	2	1	1
Andrew Kelly	7	8	3	3
Robert Hodges	4	4	0	0

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

Directors' Report
PocketMail Group Limited and its Controlled Entities

Principal activities

The principal activities of the entities within the consolidated entity were the sale and marketing of PocketMail mobile e-mail devices including mobile email service.

Review and results of operations

During the financial year ended 30 June 2003 the company successfully integrated and rationalised worldwide operations as the foundation for future growth.

The consolidated loss of the consolidated entity for the financial year ended 30 June 2003 was $735,118 (30 June 2002 $6,745,772).

Dividends

No dividends were paid during the financial year and the directors recommend that no dividend be paid in respect of the year ended 30 June 2003.

Environmental regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of it's environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Significant changes in the state of affairs

During the financial year ended 30 June 2003, the company issued 7,126,797 new ordinary shares of PocketMail Group Limited.

Events subsequent to balance date

In September 2003 PocketMail Group Limited executed an agreement with Bindera Pty Limited to defer commencement of repayment of $2,397,802 in related party loans until December 2004. Formerly principle re-payments on these facilities were to commence in December 2003.

Under the terms of the agreement no interest is payable until 10 December 2003. Interest accrued, but not paid, between 10 December 2002 and 10 November 2003 is payable in 24 equal, monthly instalments commencing 10 December 2004. Interest incurred from 11 November 2003 to 10 November 2004 is payable monthly in arrears. The principal is repayable in 12 equal instalments commencing in December 2004.

Likely developments

In the next Financial year the company expects to benefit from the profitability of its existing subscriber base and pursue further regional and international expansion. The company expects to expand it's retail distribution channels in North American and license organisations to provide PocketMail devices and services in countries and regions where they have appropriate local knowledge and experience.

The Company expects to continue generating positive operating cash flows from subscription services during the next financial year.

Directors' and senior executives' emoluments

Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the five named officers of the Company and the consolidated entity receiving the highest emoluments are:

	Base emolument	Expatriate allowances & costs	Super contributions	Options over ordinary shares (A)	Total
Directors	$	$	$	$	$
Non-executive					
Neil Lewis	1,250	-	-	-	1,250
Chris Coudounaris	40,000	-	-	-	40,000
Robert Hodges	8,500	-	-	-	8,500
Executive					
David Marchant	208,254	298,188	10,519	67,083	584,044

In September 2002 David Marchant moved to the United States with his family in order to manage the Company's operations in San Jose, California. In addition to his base salary which is paid in Australian dollars, the company provides accommodation, motor vehicles and an expatriate allowance paid in US dollars. These benefits reflect the higher cost of living in the United States.

A - The estimated value disclosed above is calculated at the date of grant using a Black-Scholes model applying a 130% volatility factor. Options held by David Marchant and assigned a value in the year ended 30 June 2003 were issued in January 2000. They expire in December 2004 and have an exercise price of 40 cents.

Executive officers (excluding directors)					
David Shearer	192,366	-	8,643	-	201,009
Richard Shaw	157,510	-	10,684	-	168,194
Dean Hanson	123,422	-	18,229	-	141,651

"Executive Officers" are officers who are involved in, or who take part in, the management of the affairs of PocketMail Group Limited and/or related bodies corporate. Remuneration for overseas based employees has been translated to Australian dollars at the average exchange rate for the year.

Options

At the date of this report un-issued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
31 December 2003	$0.70	10,000,000
23 December 2004	$0.40	2,900,000
27 June 2005	$0.13	300,000
5 October 2005	$0.20	1,000,000
15 August 2006	$0.05	150,000
16 July 2007	$0.02	19,500,000

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During or since the end of the financial year, the Company did not issue any ordinary shares as a result of the exercise of options.

Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the consolidated entity and other related body corporates, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	PocketMail Group Limited	
	Ordinary shares	Options over ordinary shares
Mr Andrew Kelly	295,643,249	10,000,000
Mr David Marchant	5,400,000	1,875,000

Indemnification and insurance of directors and officers

The Company has agreed to indemnify all directors of the Company and all former directors, against all liabilities to another person (other than the Company or a related body corporate) +that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has agreed to indemnify executive officers for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the year the Company has paid premiums in respect of a contract insuring all of the Directors of the Company against any liability incurred in their role as a director of the Company, except where:

- the liability arises out of conduct involving a willful breach of duty; or
- there has been a contravention of the Corporations Act 2001.

The policy prohibits disclosure of the nature of the liability insured and the amount of premium paid.

Dated at Sydney this 30 day of September 2003

Signed in accordance with a resolution of the directors:

D Marchant
Executive Director

PocketMail Group Limited and its Controlled Entities

Statements of financial performance

for the year ended 30 June 2003

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Revenue from sale of goods	2	1,322,241	1,996,581	-	-
Revenue from provision of services	2	8,734,535	8,460,597	-	-
Other revenue from ordinary activities	2	203,178	97,157	727,417	387,849
Total revenue	2	10,259,954	10,554,335	727,417	387,849
Employee expenses		3,656,480	5,068,437	-	-
Advertising expenses		455,437	525,673	-	-
Depreciation and amortisation expenses	3(b)	1,342,185	2,081,674	-	-
Borrowing costs	3(b)	160,001	851,581	82,763	384,310
Cost of Goods sold		987,949	2,017,543	-	-
Outsourced customer service		-	639,788	-	-
Legal expenses		168,547	231,723	-	970
Listing costs		44,026	67,125	44,026	67,125
Consulting expenses		190,148	161,684	1,470	14,062
Travel expenses		230,346	321,722	-	-
Telecommunications expenses		2,006,412	3,487,260	-	-
Individually significant items	3(a)	-	97,075	612,557	4,329,844
Insurance		170,237	144,044	-	-
Write-off fixed asset		184,121	-	-	-
Rent		515,046	468,336	-	-
Other expenses from ordinary activities		884,137	1,136,392	70,771	95,175
Loss from ordinary activities before related income tax expense		(735,118)	(6,745,722)	(84,170)	(4,503,637)
Income tax (expense)/benefit relating to ordinary activities	5(a)	-	-	-	-
Loss from ordinary activities after related income tax expense		(735,118)	(6,745,722)	(84,170)	(4,503,637)
Net loss	21	(735,118)	(6,745,722)	(84,170)	(4,503,637)
Non-owner transaction changes in equity					
Net exchange difference relating to self-sustaining foreign operations	20	(163,745)	110,243	-	-
Total changes in equity from non-owner related transactions attributable to the members of the parent entity		(898,863)	(6,635,479)	(84,170)	(4,503,637)
Basic loss per share	6	0.2 cents	2.1 cents	-	-
Diluted loss per share	6	0.2 cents	2.1 cents	-	-

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 16 to 50.

PocketMail Group Limited and its Controlled Entities
Statements of financial position
for the year ended 30 June 2003

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Current assets					
Cash assets	8	431,268	803,450	-	6,577
Receivables	9	448,050	802,889	-	2,656
Inventories	10	27,753	578,684	-	-
Other	12	173,280	467,452	-	-
Total current assets		1,080,351	2,652,475	-	9,233
Non-current assets					
Other financial assets	11	-	2,500	-	2,500
Property, plant and equipment	13	270,288	1,017,877	-	-
Intangible assets	14	1,574,180	2,275,376	-	-
Other	15	-	147,700	-	-
Total non-current assets		1,844,468	3,443,453	-	2,500
Total assets		2,924,819	6,095,928	-	11,733
Current liabilities					
Payables	16	1,042,093	2,562,519	-	-
Revenue from subscription services received in advance		3,210,602	3,691,223	-	-
Interest-bearing liabilities	17	347,142	655,326	-	-
Provisions	18	113,121	318,883	-	-
Total current liabilities		4,712,958	7,227,951	-	-
Non-current liabilities					
Interest-bearing liabilities	17	2,593,674	2,490,602	2,766,000	2,833,238
Total non-current liabilities		2,593,674	2,490,602	2,766,000	2,833,238
Total liabilities		7,306,632	9,718,553	2,766,000	2,833,238
Net liabilities		(4,381,813)	(3,622,625)	(2,766,000)	(2,821,505)
Equity					
Contributed equity	19	24,252,971	24,113,296	24,252,971	24,113,296
Accumulated losses	21	(28,630,739)	(27,895,621)	(27,018,971)	(26,934,801)
Reserves	20	(4,045)	159,700	-	-
		(4,381,813)	(3,622,625)	(2,766,000)	(2,821,505)

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 16 to 50.

PocketMail Group Limited and its Controlled Entities
Statements of cash flows
for the year ended 30 June 2003

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Cash flows from operating activities					
Cash receipts in the course of operations		10,099,087	13,141,088	-	-
Cash payments in the course of operations		(9,977,401)	(15,532,575)	(6,577)	(97,968)
Interest received		1,577	7,699	-	387,849
Borrowing costs paid		(19,232)	(231,085)	-	-
Net cash provided by/(used in) operating activities	28(b)	104,031	(2,614,873)	(6,577)	289,881
Cash flows from investing activities					
Payments for property, plant and equipment		(76,509)	(162,198)	-	-
Net cash (used in) investing activities		(76,509)	(162,198)	-	-
Cash flows from financing activities					
Proceeds from issue of shares		-	8,383,788	-	8,383,788
Proceeds from borrowings:					
- Others		372,855	-	-	-
- Related parties		200,000	2,500,000	350,000	2,500,000
Repayment of borrowings:					
- Related Parties		(350,000)	(7,000,000)	(350,000)	(7,000,000)
Finance lease payments		(610,017)	(959,853)	-	-
Advances to related parties		-	-	-	(4,182,481)
Net cash provided by/(used in) financing activities		(387,162)	2,923,935	-	(298,693)
Net increase/(decrease) in cash held		(359,640)	146,864	(6,577)	(8,812)
Cash at the beginning of the financial year		803,450	656,586	6,577	15,389
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(12,542)	-	-	-
Cash at the end of the financial year	28(a)	431,268	803,450	-	6,577

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 16 to 50.

1 Statement of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

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 the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, as set out in note 1(v), are consistent with those of the previous year.

(b) Going Concern

(i) The consolidated entity's ability to generate positive net cash-flow in the year ending 30 June 2004, as contemplated in its current business plan, is dependent on a number of factors including continued support of certain suppliers in relation to extended payment terms, maintaining adequate subscription receipts, and controlling operating cost base over the next financial year.

(ii) Provided the consolidated entity's receipts from subscription and device sales do not decrease by more than 20% to 25% and receipts from intellectual property licensing are at least $A 863,000 for the 12 months ended 30 June 2004, and it maintains operating costs at current levels and the other assumptions set out in paragraph (i) above prove to be correct, the Directors believe the consolidated entity will generate positive net operating cash flow which should enable it to realise its assets and extinguish its liabilities in the normal course of business.

In the event that the consolidated entity does not achieve the objectives outlined in paragraphs (i) and (ii) the consolidated entity may not be able to realise its assets and extinguish its liabilities in the normal course of business, at the amounts stated in the financial report. In such an event, the going concern basis used in the preparation of the financial report may not be appropriate and the consolidated entity may not be able to realise the carrying value of intangibles and associated plant and equipment in the normal course of business or alternatively from sale.

1 Statement of significant accounting policies (cont)

(c) Principles of consolidation

Controlled entities

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

(d) Revenue recognition - Note 2

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Sale of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer.

Revenue from subscription services

Revenue from subscription services is recognised in the period which the service is provided to the customer, having regard to the stage of completion of the contract.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Grants

The Company received an export market development grant from Austrade. The grant has been recognised as revenue in accordance with the terms of the grant. Related costs have been expensed.

1 Statement of significant accounting policies (cont)

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Translation of controlled foreign entities

The assets and liabilities of foreign operations that are self-sustaining are translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal, or partial disposal, of the operations.

The assets and liabilities of foreign operations that are integrated are translated using the temporal method. Monetary assets and liabilities are translated into Australian currency at rates of exchange current at reporting date, while non-monetary items and revenue and expense items are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are brought to account in the statement of financial performance.

Hedges

Hedge transactions are initially recorded at the relevant rate at the date of the transaction. Hedges outstanding at reporting date are valued at rates ruling on that date and any gains or losses are brought to account in the statement of financial performance.

1 Statement of significant accounting policies (cont)

(f) Foreign currency (cont)

Exchange differences

Exchange differences relating to amounts payable and receivable in foreign currency are brought to account as exchange gains or losses in the Statements of Financial Performance in the financial year in which the exchange rates change.

(g) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets, which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(h) Taxation - Note 5

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

1 Statement of significant accounting policies (cont)

(i) Acquisitions of assets

All assets acquired including property, plant and equipment and intangibles other than goodwill 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. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value except where the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the consolidated entity if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note 1 (g).

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the 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 attributable to feasibility and alternative approach assessments are expensed as incurred.

Research and development costs

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred and amortised.

Subsequent additional costs

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.

Deferred software development costs

Expenditure on product related software development costs is capitalised as incurred. The cost is amortised over the period during which the related benefits are expected to be realised. The carrying amount of deferred software costs are reviewed at the end of each accounting period. Where the balance exceeds the value of expected future benefits the difference is recorded as an expense in the net profit or loss in the reporting period in which it occurs.

1 Statement of significant accounting policies (cont)

(j) Revisions of accounting estimates

Revisions to accounting estimates are recognised prospectively in current and future periods only.

(k) Receivables – Note 9

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

Trade debtors

Trade debtors to be settled within 60 days are carried at amounts due.

(l) Inventories –Note 10

Inventories are carried at the lower of cost and net realisable value.

Net realisable value

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

(m) Investments – Note 11

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Other entities

Investments in other unlisted entities are carried at the lower of cost and recoverable amount.

(n) Leased assets

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases - Note 17

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

1 Statement of significant accounting policies (cont)

(n) Leased assets (cont)

Operating leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(o) Goodwill – Note 14

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired. Carrying value is assessed in accordance with note 1(p). Goodwill is amortised in accordance with note 1(q).

(p) Recoverable amount of non-current assets valued on cost basis

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.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(q) Depreciation and amortisation

Complex assets

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated.

Useful lives

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives, with the exception of finance lease assets which are amortised over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

1 Statement of significant accounting policies (cont)

(q) Depreciation and amortisation (cont)

Useful lives (cont)

The depreciation/amortisation rates used for each class of asset during the current and prior year are as follows:

	2003	2002
Plant and equipment	3 – 5 years	3 – 5 years
- leasehold improvements	3 years	3 years
Leased Assets - plant and equipment	3 years	3 years
Software development costs	3 – 5 years	3 – 5 years
Goodwill	3 – 5 years	3 – 5 years

(r) Payables – Note 16

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 90 days.

(s) Interest bearing liabilities – Note 17

Finance leases have an average lease term of 3 years. All Australian leases have now been paid out. United Sates finance lease obligations included an option to defer the final interest payment and repay it in 12 equal, monthly instalments. This option has been taken up on all United States leases.

No additional interest is payable in relation to these deferred payments, all relevant interest was expensed in prior periods. Consequently, the interest rate implicit in these leases is 0% (2002: 8%)

$2.4 million of the related party loans were interest free until 10 December 2002. Interest was chargeable at 6% per annum until 26 September 2003. Thereafter interest is chargeable at 10% per annum. Interest and principal are repayable in 12 equal instalments commencing 10 December 2004.

(t) Employee entitlements

Wages, salaries and annual leave

The liabilities for employee entitlements to wages, salaries and annual leave and sick leave expected to be settled within 12 months of year-end represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at the reporting date including related on costs.

1 Statement of significant accounting policies (cont)

(t) Employee entitlements (cont)

Employee share and option plans

The value of the employee share scheme is not being charged as an employee entitlement expense.

Long Service Leave

The provision for employee entitlements to long service leave represents the present value of estimated future cash outflows to be made resulting from employees' services provided up to balance date.

Superannuation plans

The Company and other controlled entities contribute to several defined contribution superannuation funds on behalf of their employees. In Australia, the consolidated entity contributes 9% of an employee's salary as required by law. In the US, employees elect for the consolidated entity to make payments on their behalf. Contributions are recognised as an expense when they are made.

(u) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Restructuring

A provision for restructuring on acquisition is only recognised at the date of acquisition where there is a demonstrable commitment and a detailed plan such that there is little or no discretion to avoid payments to other parties and the amount can be reliably estimated.

The provision relates only to costs associated with the acquired entity.

Other provisions for restructuring are only recognised when a detailed plan has been approved and the restructuring has either commenced or been publicly announced. Costs related to ongoing activities are not provided for.

(v) Change in accounting policy

Foreign currency translations

Upon review of the working arrangements between the United States and Australian operations the United States subsidiary has been treated as an integrated operation. Consequently, the assets and liabilities of the subsidiary have been translated using the temporal method for the first time.

As a result of this change in accounting policy, foreign currency gain increased by $34,313 (Company loss increased by $612,557).

1 Statement of significant accounting policies (cont)

(v) Change in accounting policy (cont)

Employee Benefits

The consolidated entity has applied AASB 1028 "Employee Benefits" for the first time from July 1 2002.

The liability for wages and salaries, annual leave and sick leave is now calculated using the remuneration rates the Company expects to pay as at each reporting date, not wage and salary rates current at reporting date.

There has not been a significant impact on profit for the current year or prior period.

Provisions and Contingent Liabilities

The consolidated entity has applied AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time from 1 July 2002.

AASB 1044 requires disclosure of contingent liabilities when the probability of payment is not remote. There has been no impact on net profit for the current year or prior period.

	Consolidated		The Company	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
2 Revenue from ordinary activities				
Sale of goods revenue from operating activities	1,322,241	1,996,581	-	-
Revenue from subscription services	8,734,535	8,460,597	-	-
Other revenues				
From operating activities				
Interest:				
- Other parties	1,577	7,699	-	3,539
- Related Parties	-	-	82,763	384,310
From outside operating activities				
- Grants received	27,177	75,775	-	-
- Debt forgiven	158,017	-	-	-
- Provision for non recovery of inter-company loans	-	-	644,654	-
- Other	16,407	13,683	-	-
Total other revenues	203,178	97,157	727,417	387,849
Total revenue from ordinary activities	10,259,954	10,554,335	727,417	387,849

3 Loss from ordinary activities before income tax expense

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
(a) Individually significant items included in loss from ordinary activities before income tax expense				
Provision for non recovery of inter-company loans	-	-	-	3,987,853
Write off goodwill on acquisition of business of Online Telesystems Pty Limited	-	97,075	-	-
Net foreign exchange loss/(gain)	-	-	612,557	341,991
	-	97,075	612,557	4,329,844

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
3 Loss from ordinary activities before income tax expense (cont)				
(b) Loss from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
Depreciation of:				
- plant and equipment	320,831	306,863	-	-
	320,831	306,863	-	-
Amortisation of:				
- deferred software development expenditure	147,700	149,050	-	-
- goodwill	554,508	698,620	-	-
- leased plant and equipment	279,201	859,318	-	-
- leasehold improvements	39,945	67,823	-	-
	1,021,354	1,774,811	-	-
Total depreciation and amortisation	1,342,185	2,081,674	-	-
Borrowing costs:				
- related parties	82,763	384,310	82,763	384,310
- finance lease interest	72,358	439,912	-	-
- other	4,880	27,359	-	-
Total borrowing costs	160,001	851,581	82,763	384,310
Net bad and doubtful debts expense including movements in provision for doubtful debts	-	61,856	-	-
Net expense/(benefit) from movements in provision for:				
- employee entitlements	81,332	56,422	-	-
- reseller subsidies	-	(39,629)	-	-
- dimunition in value of investments	2,500	-	-	-
	83,832	16,793	-	-
Net foreign exchange loss/ (gain):				
- other	(34,313)	-	612,557	341,991
Operating lease rental expense				
- minimum lease payment	515,046	468,336	-	-

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $

4 Auditors' remuneration

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Audit services:				
- Auditors of the Company – KPMG	114,075	84,200	-	-
- Prior year audit – additional fees	18,973	-	-	-
	133,048	84,200	-	-
Other services:				
- Auditors of the Company – KPMG	-	-	-	-
	-	-	-	-

5 Taxation

(a) Income tax expense

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Prima facie income tax expense calculated at 30% (2002: 30%) on the loss from ordinary activities	(220,535)	(2,023,717)	(25,251)	(1,351,091)
Increase in income tax expense due to:				
- Amortisation of goodwill	-	-	-	-
- Write off of goodwill	-	29,123	-	-
- Asset write downs	21,729	-	-	-
- Write down of inter-company loans	-	-	218,225	1,196,356
- Sundry items	2,564	9,482	-	-
Income tax benefit attributable to operating loss	(196,242)	(1,985,112)	192,974	(154,735)
FITB not brought to account	196,242	1,985,112	(192,974)	154,735
Income tax expense attributable to operating loss	-	-	-	-

	Consolidated		The Company	
	2003	2002	2003	2002
	$	$	$	$
5 Taxation (cont)				
(b) Future income tax benefit not taken to account				
The potential future income tax benefit in controlled entities and holding entity, which is the company, arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:				
Tax losses carried forward	7,709,320	7,583,521	1,581,774	1,571,723

The potential future income tax benefit will only be obtained if:

(i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;

(ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

	Consolidated	
	2003	2002
	$	$
6 Basic and diluted loss per share		
Net loss for the period (used as the numerator)	(735,118)	(6,745,722)
Weighted average number of ordinary shares (used as the denominator)	475,444,861	326,178,483
Loss per share	0.02 cents	2.1 cents
Number of options not considered dilutive	16,940,000	40,740,000

7 Segment information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

Australasia comprises Australia, Hong Kong and Singapore. North America comprises America and United Kingdom.

Each segment offers similar services and products in relation to delivery of PocketMail mobile email services and devices.

	Australasia $	**Nth America $**	**Unallocated $**	**Eliminations $**	**Consolidated $**
Primary reporting geographical segments					
2003					
Revenue					
External segment revenue	1,242,321	9,017,633	-	-	10,259,954
Internal segment revenue	2,362,416		-	(2,362,416)	-
Total Revenue	3,604,737	9,017,633	-	(2,362,416)	10,259,954
Results					
Segment result	771,912	(774,493)	(295,503)	(342,993)	(641,077)
Net Interest Expense					(94,041)
Profit from ordinary activities before Income tax					(735,118)
Income tax expense					-
Profit From Ordinary Activities after Income tax					(735,118)
Other disclosures					
Assets	4,107,083	2,647,955	-	(3,830,219)	2,924,819
Liabilities	998,039	7,741,009	2,397,803	(3,830,219)	7,306,632
Depreciation and amortisation	632,373	711,268	-	-	1,343,641
Acquisition of non current assets	28,983	49,544	-	-	78,527
Non cash expenses other than depreciation and amortisation	730,770	(390,770)	-	(5,886)	334,114
Write off assets	184,121	-	-	-	184,121

	Australasia $	Nth America $	Unallocated $	Eliminations $	Consolidated $

7 Segment information (cont)

Primary reporting geographical segments

	Australasia $	Nth America $	Unallocated $	Eliminations $	Consolidated $
2002					
Revenue					
External segment revenue	2,150,285	8,404,050	-	-	10,554,335
Internal segment revenue	3,051,005	-	-	(3,051,005)	-
Total Revenue	5,201,290	8,404,050	-	(3,051,005)	10,554,335
Results					
Segment result	(151,267)	(5,532,766)	(609,408)	-	(6,293,441)
Net Interest Expense					(452,281)
Profit from ordinary activities before Income tax					(6,745,722)
Income tax expense					-
Profit From Ordinary Activities after Income tax					(6,745,722)
Other disclosures					
Assets	6,079,563	4,834,851	-	(4,818,486)	6,095,928
Liabilities	1,724,268	5,529,246	2,465,039	-	9,718,553
Depreciation and amortisation	813,262	1,268,412	-	-	2,081,674
Acquisition of non current assets	65,078	97,118	-	-	162,196
Non cash expenses other than depreciation and amortisation	24,011	22,781	-	-	46,792

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $

8 Cash assets

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Cash	431,268	803,450	-	6,577

9 Receivables

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Current				
Trade debtors	96,759	297,236	-	-
Less: Provision for doubtful trade debtors	(7,896)	(35,000)	-	-
	88,863	262,236	-	-
Other debtors	359,187	540,653	-	2,656
Loans to controlled entities	-	-	-	14,673,184
Less: Provision for non recovery	-	-	-	(14,673,184)
	448,050	802,889	-	2,656
Non-current				
Loans to Controlled Entities	-	-	17,520,245	3,945,176
Less: Provision for non recovery	-	-	(17,520,245)	(3,945,176)
	-	-	-	-

10 Inventories

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Current				
Finished goods at cost	27,753	578,684	-	-
Total inventories	27,753	578,684	-	-

11 Other financial assets

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Non-current				
Investments in other entities				
Unlisted shares at cost	22,500	22,500	22,500	22,500
Less: Provision for diminution in value	(22,500)	(20,000)	(22,500)	(20,000)
	-	2,500	-	2,500
Investments in controlled entities				
Unlisted shares at cost	-	-	36,730,033	36,730,033
Less: Provision for diminution in value	-	-	(36,730,033)	(36,730,033)
Total investments	-	2,500	-	2,500

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
12 Other current asset				
Prepayments	173,280	467,452	-	-
13 Property, plant and equipment				
Leasehold improvements				
At cost	353,728	339,118	-	-
Accumulated amortisation	(339,112)	(185,829)	-	-
	14,616	153,289	-	-
Plant and equipment				
At cost	952,509	915,981	-	-
Accumulated depreciation	(734,195)	(404,903)	-	-
	218,314	511,078	-	-
Leased plant and equipment				
At capitalised cost	1,739,539	1,739,539	-	-
Accumulated amortisation	(1,702,181)	(1,386,029)	-	-
	37,358	353,510	-	-
Total property, plant and equipment – Net book value	270,288	1,017,877	-	-

Refer to Note 17 for details of security over property, plant and equipment

13 Property, plant and equipment (cont)

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Leasehold improvements				
Carrying amount at beginning of year	153,289	221,112	-	-
Additions	14,610	-	-	-
Amortisation	(39,945)	(67,823)	-	-
Write-off	(113,338)	-	-	-
Carrying amount at end of year	14,616	153,289	-	-
Plant and equipment				
Carrying amount at beginning of year	511,078	666,231	-	-
Additions	61,899	162,197	-	-
Disposals	-	(465)	-	-
Depreciation	(320,831)	(306,863)	-	-
Write-off	(33,832)	-	-	-
Net foreign currency differences on translation of self–sustaining operations	-	(10,022)	-	-
Carrying amount at end of year	218,314	511,078	-	-
Leased plant and equipment				
Carrying amount at beginning of year	353,510	1,241,583	-	-
Additions	-	-	-	-
Amortisation	(279,201)	(859,318)	-	-
Write-off	(36,951)	-	-	-
Net foreign currency differences on translation of self–sustaining operations	-	(28,755)	-	-
Carrying amount at end of year	37,358	353,510	-	-

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
14 Intangibles				
Goodwill – at cost	3,761,172	5,002,332	-	-
Accumulated amortisation	(2,040,304)	(1,347,582)	-	-
	1,720,868	3,654,750	-	-
Write down of goodwill	-	(1,241,160)	-	-
Net foreign currency differences on translation of self–sustaining operations	(146,687)	(138,214)	-	-
Carrying amount at end of year	1,574,181	2,275,376	-	-
Licence – at cost	-	5,754,961	-	-
Accumulated amortisation	-	(1,490,000)	-	-
	-	4,264,961	-	-
Write down of Licence	-	(4,264,961)	-	-
Carrying amount at year end	-	-	-	-
Carrying amount of intangibles at year end	1,574,181	2,275,376	-	-
15 Other non-current assets				
Deferred software development costs				
Balance at beginning of year	147,700	296,478	-	-
Software development costs incurred during the year and deferred	-	272	-	-
Amortisation Expense	(147,700)	(149,050)	-	-
	-	147,700	-	-
16 Payables				
Trade creditors	654,424	2,188,600	-	-
Other creditors and accruals	387,669	373,919	-	-
	1,042,093	2,562,519	-	-

17 Interest bearing liabilities

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Current					
Loans:					
- bank loans – secured		176,985	-	-	-
Lease liabilities	25	170,157	655,326	-	-
		374,142	655,326	-	-
Non-current					
Loans:					
- bank loans - secured		195,872	-	-	-
- controlled entities		-	-	368,198	368,198
– related parties		2,397,802	2,465,040	2,397,802	2,465,040
Lease liabilities	25	-	25,562	-	-
		2,593,674	2,490,602	2,766,000	2,833,238
Financing arrangements					
The consolidated entity has access to the following lines of credit					
Total facilities available:					
- Bank loan		372,857	-	-	-
- Related party loans		2,397,803	2,465,040	2,397,803	2,465,040
- Lease facility		170,157	680,888	-	-
		2,940,817	3,145,928	2,397,803	2,465,040
Facilities utilised at balance date:					
- Bank loan		372,857	-	-	-
- Related party loans		2,397,803	2,465,040	2,397,803	2,465,040
- Lease facility		170,157	680,888	-	-
		2,940,817	3,145,928	2,397,803	2,465,040

Related Party Loans

$2.4 million of the related party loans were interest free until 10 December 2002. Thereafter interest has accrued at 6%. On 26 September 2003, the loan term was extended by 12 months at an interest rate of 10% per annum. It is repayable in 12 equal instalments commencing in December 2004.

Bank Loans

Bank loans provided by Silicon Valley Bank are secured by a first priority charge over all company assets, including intellectual property. The facility is repayable by 24 monthly, principal and interest payments commencing 1 July 2003.

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $

18 Provisions

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Current					
Employee entitlements		113,121	152,820	-	-
Restructuring		-	8,365	-	-
Deferred rent		-	157,698	-	-
		113,121	318,883	-	-

19 Contributed equity

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Issued and paid-up share capital					
479,623,312 (2002: 472,496,515) ordinary shares, fully paid		24,252,971	24,113,296	24,252,971	24,113,296
Ordinary Shares					
Balance at the beginning of year		24,113,296	15,582,145	24,113,296	15,582,145
Rights Issue:					
- Rights Issue under prospectus dated 18/10/01, 208,065,113 ordinary shares at 3 cents		-	6,241,953	-	6,241,953
Placements:					
- Placement of rights issue under prospectus dated 18/10/01; 57,045,614 ordinary shares at 3 cents		-	1,711,368	-	1,711,368
- Private placements of 20,527,667 ordinary shares at 3 cents		-	615,830	-	615,830
- Private placements of 7,126,797 ordinary shares at 2 cents		142,536	-	142,536	-
- Capital raising expenses		(2,861)	(38,000)	(2,861)	(38,000)
Movements for the year	23	139,675	8,531,151	139,675	8,531,151
Balance at end of year		24,252,971	24,113,296	24,252,971	24,113,296

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $

20 Reserves

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Foreign currency translation		(4,045)	159,700	-	-
		(4,045)	159,700	-	-
Movements during the year					
Balance at beginning of year		159,700	49,457	-	-
Net translation adjustment		(163,745)	110,243	-	-
Balance at end of year		(4,045)	159,700	-	-

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations. Refer to accounting policy note 1(f).

21 Accumulated losses

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Accumulated losses at beginning of year		(27,895,621)	(21,149,899)	(26,934,801)	(22,431,164)
Net loss		(735,118)	(6,745,722)	(84,170)	(4,503,637)
Accumulated losses at the end of the year		(28,630,739)	(27,895,621)	(27,018,971)	(26,934,801)

22 Dividends

The Directors do not recommend a dividend for the year ended 30 June 2003. No dividend was paid for the year ended 30 June 2002.

23 Total equity reconciliation

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Total equity at beginning of year		(3,622,625)	(5,518,297)	(2,821,505)	(6,849,020)
Total changes in equity recognised in Statement of Financial Performance		(898,863)	(6,635,479)	(84,170)	(4,503,636)
Transactions with owners as owners:					
- Contributions of equity	20	139,675	8,531,151	139,675	8,531,151
Total equity at end of year		(4,381,813)	(3,622,625)	(2,766,000)	(2,821,505)

24 Additional financial instruments disclosure

(a) Interest rate risk

The consolidated entity is exposed to interest rate fluctuations.

Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted average interest rate	Floating interest rate	Fixed interest maturing in: 1 year or less	1 to 5 years	more than 5 years	Non-interest bearing	Total
			$	$	$	$	$	$
2003								
Financial assets								
Cash assets	8	0.50%	431,268	-	-	-	-	431,268
Receivables	9	-	-	-	-	-	448,050	448,050
			431,268	-	-	-	448,050	879,318
Financial liabilities								
Payables	16	-	-	-	-	-	1,042,093	1,042,093
Bank loan	17	16.00%	-	-	-	-	372,857	372,857
Lease liabilities	17	-	-	-	-	-	170,157	170,157
Related party loans	17	10.00%	-	-	2,397,803	-	-	2,397,803
Employee entitlements	18	-	-	-	-	-	113,121	113,121
			-	-	2,397,803	-	1,698,228	3,409,603
2002								
Financial assets								
Cash assets	8	3.73%	803,450	-	-	-	-	803,450
Receivables	9	-	-	-	-	-	802,889	802,889
Investments	11	-	-	-	-	-	2,500	2,500
			803,450	-	-	-	805,389	1,608,839
Financial liabilities								
Payables	16	-	-	-	-	-	2,562,519	2,562,519
Lease liabilities	17	7.38%	-	377,621	303,267	-	-	680,888
Related party loans	17	10.00%	-	-	2,465,040	-	-	2,465,040
Employee entitlements	18	-	-	-	-	-	152,820	152,820
			-	377,621	2,768,307	-	2,715,339	5,861,267

24 Additional financial instruments disclosure (cont)

(b) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank term deposits, trade debtors, other debtors, accounts payable, bank loans, lease liabilities and employee entitlements approximate net fair value.

The net fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets and an assessment of future maintainable earnings and cash flows of the respective corporations.

The balances of financial assets and liabilities approximate their net fair value.

(c) Foreign exchange risk exposures

The consolidated entity is exposed to foreign currency fluctuations. From time to time, the consolidated entity also enters into foreign exchange options to reduce the impact of foreign currency fluctuations on funds transferred from the United States subsidiary to the Australian operating entity.

(d) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various countries and by performing extensive due diligence procedures on major new customers.

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $

25 Commitments

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Non-cancellable operating lease expense commitments					
Future operating lease commitments not provided for in the financial statements and payable:					
Within one year		288,759	327,875	-	-
One year or later and no later than five years		179,678	492,106	-	-
Later than five years		-	-	-	-
		468,437	819,981	-	-

(i) Operating lease commitments relate largely to future payments for the rental of premises under a 3-year lease with the option to renew for an additional 2 years. Rental amounts are subject to annual reviews based on prevailing market rates and an escalation rate of 5% pa applies to rentals in the renewal period.

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Finance lease payment commitments					
Finance lease commitments are payable:					
Within one year	17	170,157	664,046	-	-
One year or later and no later than five years		-	25,562	-	-
		170,157	689,608	-	-
Less: Future lease finance charges		-	(8,720)	-	-
		170,157	680,888	-	-
Lease liabilities provided for in the financial statements:					
Current	17	170,157	655,326	-	-
Non-current	17	-	25,562	-	-
Total lease liability		170,157	680,888	-	-

	Note	Consolidated 2003 $	2002 $	The Company 2003 $	2002 $

25 Commitments (cont)

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Other operating expenditure commitments					
Committed but not provided for and payable:					
Within one year		1,112,871	800,223	-	-
One year or later and no later than five years		135,264	-	-	-
Later than five years		-	-	-	-
		1,248,135	800,223	-	-

26 Contingent liabilities

In July 1993 the consolidated entity purchased various mining tenements. Under this agreement the vendors remained liable for all rehabilitation costs arising as a consequence of work carried out on the tenements.

The tenements were later sold. Under this sale agreement executed in October 1995 the consolidated entity remained liable for any rectification works, but it relies on the indemnity provided by the original vendors.

In August 2003 the consolidated entity executed a memorandum of understanding to settle this dispute in return for a payment, to the ultimate purchaser of the tenements, of shares to the value of $50,000.

27 Controlled entities

(a) Particulars in relation to controlled entities

Name	Note	Ordinary Share Consolidated Entity Interest 2003 %	2002 %
Parent Entity			
PocketMail Group Limited			
Controlled entities			
PocketMail Pty Ltd		100	100
PocketMail Australia Pty Ltd		100	100
PocketMail New Zealand Pty Ltd		100	100
PocketMail Inc (USA)	(i)	100	100
Target Resources Ltd		100	100
Target Resources Australia NL		100	100
Mt Pleasant Mill Operations Pty Ltd		100	100
Gemiris Pty Ltd		100	100
Gold Dust Holdings Pty Ltd		100	100
PocketMail Singapore Pte Ltd	(i)	100	100
PocketMail Hong Kong Pty Limited	(i)	100	100
PocketMail UK plc	(i)	100	100

Notes

(i) PocketMail Inc (USA) was incorporated in and carries on business in the USA, and PocketMail Singapore Pte Ltd was incorporated in and carries on business in Singapore, and PocketMail Hong Kong was incorporated in and carries on business in Hong Kong, and PocketMail UK plc was incorporated in and carries on business in the United Kingdom.

All other controlled entities were incorporated in Australia.

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $

28 Notes to the statements of cash flows

(a) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Cash assets	8	431,268	803,450	-	6,577

(b) Reconciliation of the operating loss after tax to the net cash flows from operations

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Loss from ordinary activities after income tax		(735,118)	(6,745,722)	(84,170)	(4,503,637)
Add/(less) non cash items:					
- Depreciation of non current assets		787,677	1,234,004	-	-
- Amortisation of non current assets		554,509	698,620	-	-
- Write off of non current assets		184,073	97,075	-	-
- Provision for non recovery of intercompany loans		-	-	(644,654)	3,987,853
- Amortisation of software development expenditure		-	149,050	-	-
- Forgiveness of debt		158,017	-	-	-
- Equity issued to settle rent & due diligence		139,675	-	139,675	-
- Amount set aside for provisions		(111,071)	46,793	2,500	-
- Unrealised foreign exchange (gain)/loss		(34,313)	266,512	612,557	341,991
		943,449	(4,253,668)	25,908	(173,793)

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
28 Notes to the statements of cash flows (cont)					
(b) Reconciliation of the operating loss after tax to the net cash flows from operations (cont)					
Add/(less) items classified as investing/financing activities:					
- Interest expense capitalised		82,764	465,040	82,763	465,040
- Finance Charges – capitalised leases		58,005	332,983	-	-
Net cash provided by/(used in) operating activities before change in assets and liabilities		1,084,218	(3,455,645)	108,671	291,247
Changes in assets and liabilities:					
- (increase)/decrease in trade receivables		200,477	(166,592)	2,656	185
- (increase)/decrease in other debtors		181,466	(455,481)	-	-
- (increase)/decrease in inventory		550,930	(349,839)	-	-
- (increase)/decrease in prepayments/other current assets		294,172	(243,404)	-	-
- increase/(decrease) in trade creditors and accruals		(1,520,849)	(69,431)	(117,904)	(1,551)
- increase/(decrease) in deferred revenue		(480,621)	2,537,387	-	-
- increase/(decrease) in provisions		(205,762)	(411,868)	-	-
Net cash provided by/(used in) operating activities		104,031	(2,614,873)	(6,577)	289,881

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
29 Employee entitlements					
Aggregate liability for employee entitlements, including on-costs					
Current	18	113,121	152,820	-	-
		113,121	152,820	-	-
Number of employees					
Number of employees at year end		26	46	-	-

Employee share scheme

An employee share scheme has been established whereby certain employees are issued with options over the ordinary shares of the Company. The options, issued for nil consideration, are part of the employee remuneration package and are based on the assessed skill level of each individual employee. The options are exercisable over a range of 1-3 years from the date of commencement of service. The exercise price of share options varies and reflects the market price of the shares at the date of issue. The options cannot be transferred.

At 30 June 2003, there were 16,740,000 unexercised employee share options on issue. The market value of shares under these options at 30 June 2003 was $0.004 per share. (2002: $ 0.026)

No options were granted to employees and no employee options were exercised during the year ended 30 June 2003. 13,800,000 employee options expired during the year to June 2003.

30 Directors' remuneration

	The Company 2003	The Company 2002
Directors' income		
$0 - $9,999	2	-
$30,000 - $39,999	-	2
$40,000 - $49,999	1	1
$250,000 - $259,999	-	1
$510,000 - $519,999	1	-

The remuneration bands are not consistent with the emoluments disclosed in the Directors' Report as the basis of calculation differs due to the differing requirements of the Corporations Act 2001 and the Accounting Standards.

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
30 Directors remuneration (cont)					
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party		566,712	351,704	566,712	351,704
31 Executives' remuneration					
The number of Australian based executive officers of the Company and of controlled entities, whose remuneration from the Company or related parties, and from entities in the consolidated entity is $100,000 or more, falls within the following bands:					
$110,000 - $119,999		-	1	-	1
$160,000 - $169,999		1	-	1	-
$200,000 - $209,999		1	-	1	-
$500,000 - $550,000		-	1	-	1
Total income in respect of the financial year received, or due and receivable, from the Company, entities in the consolidated entity or related parties by executive officers of the Company and of controlled entities whose income is $100,000 or more		369,203	610,282	369,203	610,282

32 Related parties

Directors

The names of each person holding the position of director of PocketMail Group Limited during the financial year are, David Marchant, Stace Vallianos (resigned 27 September 2002), Chris Coudounaris, Andrew Kelly and Robert Hodges. Details of directors' remuneration are set out in Note 31.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year-end.

32 Related parties (cont)

Directors' holdings of shares and share options

The interests of directors of the reporting entity and their director-related entities in shares and share options of entities within the consolidated entity at year-end are set out below.

	Note	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
PocketMail Group Limited:					
- Ordinary shares		304,023,249	22,066,666	304,023,249	22,066,666
- Options over ordinary shares		11,875,000	2,875,000	11,875,000	2,875,000
		315,898,249	24,941,666	315,898,249	24,941,666

Directors' transactions in shares and share options

During the year, Mr Andrew Kelly, who became a director on 27 September 2003, disposed of 4,250,000 ordinary shares.

Directors' transactions with the Company or its controlled entities

A number of directors of the Company, or their director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The terms and conditions of the transactions with directors and their director related entities were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

(a) The following related party transactions occurred during the financial year:

(i) *Transactions with related parties in wholly owned group*

(a) Interest free loans made by the parent entity to controlled entities totalling $Nil (2002: $42,667).

(ii) *Transactions with other related parties*

(a) Loans amounting to $2,397,672, including accrued interest, (2002: $2,465,040) have been provided by Bindera Pty Ltd the parent entity of PocketMail Group Limited ("PGL"), to PGL. The loan was interest free until December 2002. Thereafter interest has accrued at 6%. On 26 September 2003 the loan term was extended by 12 months at an interest rate of 10% per annum. No interest is payable until 10 December 2003. Interest accrued, but not paid, between 10 December 2002 and 10 November 2003 is payable in 24 equal, monthly instalments commencing 10 December 2004. Interest incurred from 11 November 2003 to 10 November 2004 is payable monthly in arrears. The principal is repayable in 12 equal instalments commencing in December 2004.

32 Related parties (cont)

Directors' transactions with the Company or its controlled entities (cont)

(b) A director of Bindera Pty Ltd, PGL's parent entity, is also a director of The Strathfield Group Limited. During the year PocketMail Australia Pty Limited made sales to The Strathfield Group Limited, net of rebates and cooperative advertising contributions of $11,774 (2002: $45,099).

(iii) *Transactions with the Directors of PGL and the consolidated entity*

Chris Coudounaris, a director of PGL had provided a personal guarantee over the repayment of Australian lease facilities. These facilities were repaid during the period and the guarantee has expired.

(iv) *Transactions with director-related entities*

(a) Cavestowe Pty Limited, incorporated in Australia, is the ultimate parent entity of PGL.

(b) The consolidated entity leased premises from Kalli Holdings Pty Limited, a director related entity. During the period ended 30 June 2003 $73,475 was paid in respect of these premises. The lease was terminated on 31 March 2003.

(c) Equity instruments of Directors.

1 *Interests in the equity instruments of entities in the consolidated entity held by Directors of the reporting entity and their director-related entities at balance date, being the number of instruments held:*

	PocketMail Group Limited			
	Ordinary Shares		Options over Ordinary Shares	
	2003	2002	2003	2002
David Marchant	5,400,000	5,400,00	1,875,000	1,875,000
Neil Lewis	-	16,666,66	-	1,000,000
Stace Vallianos**	-	3,247,184	-	-
Andrew Kelly***	298,623,249	302,873,24	10,000,000	20,000,000

* Neil Lewis resigned as a director in July 2002
** Stace Vallianos was appointed as a director on 18 July 2002 and resigned on 27 September 2002
*** Andrew Kelly was appointed director on 27 September 2002

2 *Movement in directors' equity holdings*

Mr Stace John Vallianos, who became a director on 18 July 2002, held 3,247,184 ordinary shares through a related party as at 30 June 2002 and acquired a further 772,816 ordinary shares during July 2002.

Mr Andrew Kelly who became a director on 27 September 2002, held 302,873,249 ordinary shares through related parties as at 30 June 2002. During the year he disposed of 4,250,000 shares.

33 Events subsequent to balance date

No events occurred after reporting date which related to circumstances in effect at reporting date.

In September 2003 PocketMail Group Limited executed an agreement with Bindera Pty Limited to defer commencement of repayment of $2,397,802 in related party loans until December 2004. Formerly principal re-payments on these facilities were to commence in December 2003.

Under the terms of the agreement no interest is payable until 10 December 2003. Interest accrued, but not paid, between 10 December 2002 and 10 November 2003 is payable in 24 equal, monthly instalments commencing 10 December 2004. Interest incurred from 11 November 2003 to 10 November 2004 is payable monthly in arrears. The principal is repayable in 12 equal instalments commencing in December 2004.

Directors' declaration

1 In the opinion of the directors of PocketMail Group Limited:

(a) the financial statements and notes, set out on pages 13 to 50, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards in Australia 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.

Dated at Sydney this 30 day of September 2003

Signed in accordance with a resolution of the directors:

D Marchant
Executive Director

Independent audit report
To the members of PocketMail Group Limited

Scope

We have audited the financial report of PocketMail Group Limited for the financial year ended 30 June 2003, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 33 and the directors' declaration set out on pages 13 to 51. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year 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 PocketMail Group 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 2003 and of their performance for the year ended on that date; and

- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters described in Note 1(b), there is significant uncertainty whether the consolidated entity will be able to continue as a going concern.

Should the Consolidated entity be unable to achieve the objectives as outlined in Note 1(b), the consolidated entity may not be able to continue as a going concern and may not be able to realise the full value of its assests and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

KPMG

KPMG

Bruce Phillips
Partner

30 September 2003

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 31 August 2003)

Substantial shareholders

The number of shares held by substantial shareholders are set out below:

Shareholder	Ordinary
Bindera Pty Limited	293,387,500

Voting rights
Ordinary shares Refer to Note 19 ***Options*** Refer to Note 29

Distribution of equity security holders		
Category	**Ordinary shares**	**Options**
1 – 1,000	1,870	-
1,001 – 5,000	1,255	-
5,001 – 10,000	500	-
10,001 – 100,000	659	1
100,001 and over	114	16
	4,398	**17**

On-market buy-back

There is no current on-market buy-back.

Twenty largest shareholders (as at 31 August 2003)		
Name	**Number of ordinary shares held**	**Percentage of capital held**
Bindera Pty Limited	293,387,500	61.17
C-13 Company Inc	36,000,000	7.50
MHG Corporation Pty Limited	21,736,667	4.54
Lewis Family Investments Pty Ltd	16,666,666	3.47
TRW Holdings Pty Limited	15,670,000	3.27
Mrs Regina Bernadette Marchant	5,400,000	1.13
Kalli Holdings Pty Limited	5,244,188	1.09
Cornerstone Properties 11 LLC	4,912,621	1.02
Ipati Holdings Pty Ltd	4,020,000	0.84
WFM Motors Pty Ltd	3,333,333	0.69
Equifast Nominees Pty Ltd	2,980,000	0.62
Kizogo Pty Ltd	2,806,375	0.59
UBS Private Clients Australia	2,622,949	0.55
Cavestow Pty Ltd	2,255,749	0.47
Leura Securities Pty Ltd	1,666,667	0.35
Spinite Pty Limited	1,666,667	0.35
Drexwill Pty Ltd	1,646,667	0.34
Newfast Pty Ltd	1,216,092	0.25
World Square Hotel Pty Ltd	1,213,760	0.25
Catchpole Superannuation Pty Ltd	1,067,000	0.22
	425,512,901	**88.71**

Corporate Governance Statement
PocketMail Group Limited and its Controlled Entities
for the year ended 30 June 2003

Offices and officers

Company Secretary

Mr David McArthur

Principal Registered Office

Level 3, 275 Alfred Street
North Sydney NSW 2060
Telephone: (02) 9955 0500
Facsimile: (02) 8904 9943

Location of Share Registries

Computershare Registry Services
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000
Telephone: (08) 9323 2000

Stock Exchange

The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.

Other information

PocketMail Group Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Differences between preliminary results and Annual Report

There are no material differences between preliminary results and the Annual Report.

Board of Directors and its Committees

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfill this role, the Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Board processes

The full Board currently holds eleven scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The Board conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

Remuneration of Executives

The Board establishes and monitors remuneration packages and policies applicable to the Chief Executive Officer, senior executives and the directors themselves. It evaluates performance of the Chief Executive Officer and monitors management succession planning.

Remuneration levels are competitively set to attract and retain the most qualified and experienced directors and senor executives. Where necessary the Board obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies and industry surveys.

The directors are of the opinion that only four employees within the economic entity occupy executive positions. Accordingly the amount of remuneration and all non monetary components for these executives has been disclosed elsewhere in the annual report.

Composition of the Board

The names of the directors of the company in office at the date of this Statement are set out in the Directors' Report.

The composition of the Board is determined using the following principles:

- the Board should comprise three directors. This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified;
- the Chairman of the Board should be an independent non-executive director;

Board of Directors and its Committees (cont)

Composition of the Board (cont)

- the Board should comprise a majority of non-executive directors, with at least 50% of the Board being independent non-executive directors;
- the Board should comprise directors with a broad range of expertise both nationally and internationally;
- directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for executive directors is linked to their holding of executive office.

The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, a panel of candidates with the appropriate expertise and experience are considered. Potential candidates are identified by the Board with advice from an external consultant if necessary. The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

A nomination committee has not been established. Given the small size of the board, the directors are of the opinion that a nomination committee will not provide any significant efficiencies.

Evaluation of Board Performance

No performance evaluation for the board and its members took place in the reporting period. Given the small size of the board, the directors are of the opinion that such a review is not efficient or practicable.

Conflict of interest

In accordance with the Corporations Act, 2001 and the company's constitution directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the company. Where the Board believes that a significant conflict exists the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. The Board has developed procedures to assist directors to disclose potential conflicts of interest.

Board of Directors and its Committees (cont)

Director dealings in Company shares

The Constitution permits directors and employees to acquire shares in the Company. Company policy prohibits directors and senior management from dealing in Company shares or exercising options:

- except between 3 and 30 days after either the release of the Company's half-year and annual results to the Australian Stock Exchange, the annual general meeting or any major announcement;

- whilst in possession of price sensitive information.

Directors must obtain the approval of the Chairman of the Board and notify the Company Secretary before they sell or buy shares in the Company. This is reported to the Board and is subject to Board veto. In accordance with the provisions of the Corporations act 2001 and the Listing Rules of the Australian Stock Exchange, directors advise the Exchange of any transactions conducted by them in shares in the Company.

Independent professional advice and access to company information

Each director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the consolidated entity's expense. A copy of advice received by the director is made available to all other members of the Board.

Audit Committee

The role of the Audit Committee is documented in a Charter which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be non-executive directors. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

The members of the Audit Committee during the year were:

Mr Chris Coudounaris (Chairman)
Mr Andrew Kelly (appointed 27 September 2002)
Mr Neil Lewis (resigned 18 July 2002)
Mr Robert Hodges (appointed 18 March 2003)

The external auditors, the Chief Executive Officer and Chief Financial Officer, are invited to Audit Committee meetings at the discretion of the Committee. The Committee met three times during the year.

Board of Directors and its Committees (cont)

Audit Committee (Cont)

The responsibilities of the Audit Committee include:

- reviewing the financial report and other financial information distributed externally;
- reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified appropriate and prompt remedial action is taken by management;
- review the nomination and performance of the auditor. The external auditors were appointed in 1992. The lead external audit engagement partner was last rotated in 2000;
- considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence;
- liaising with the external auditors and ensuring that the annual and half-year statutory audits are conducted in an effective manner;
- monitoring the establishment of an appropriate internal control framework and considering enhancements;
- monitoring the establishment of appropriate ethical standards;
- monitoring the procedures in place to ensure compliance with the Corporations Act, 2001 and Stock Exchange Listing Rules and all other regulatory requirements;
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions;
- improving the quality of the accounting function;
- reviewing the declaration from the Company Secretary on compliance with statutory responsibilities.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year as follows:

Board of Directors and its Committees (cont)

Audit planning

- To discuss the external audit plan;
- To discuss any significant issues that may be foreseen;
- To discuss the impact of any proposed changes in accounting policies on the financial statements;
- To review the nature and impact of any changes in accounting policies adopted by the consolidated entity during the year;
- To review the fees proposed for the audit work to be performed.

Prior to announcement of results

- To review the pro forma half-yearly and pro forma preliminary final report prior to lodgement of those documents with the ASX, and any significant adjustments required as a result of the audit;
- To make the necessary recommendation to the Board for the approval of these documents.

Half-year and annual reporting

- To review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
- To review the draft financial report and the audit report and to make the necessary recommendation to the Board for the approval of the financial report.

As required

To organise, review and report on any special reviews or investigations deemed necessary by the Board.

Board of Directors and its Committees (cont)

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described under the following headings:

- Financial reporting - there is a comprehensive budgeting system with an annual budget approved by the directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The consolidated entity reports to shareholders half-yearly.

- Continuous disclosure – the consolidated entity has a policy that all shareholders and investors have equal access to the Company's information and has procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Law and ASX Listing Rules. All information provided to the ASX is immediately posted to the Company's web site:

    - a comprehensive process is in place to identify matters that may have a material effect on the price of the Company's securities and notify them to the board;

    - the CEO, the Chief Financial Officer and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board;

    - the Company Secretary is responsible for all communications with the ASX.

- Quality and integrity of personnel – formal appraisals are conducted at least annually for all employees.

- Operating unit controls – operating units will be required to confirm compliance with financial controls and procedures including information systems controls detailed in procedures manuals, with effect for the 2003/04 financial year.

- Investment appraisal – the consolidated entity has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

- Internal Audit - the company does not have an internal audit function but utilizes its financial resources as needed to assist the Board in ensuring compliance with internal controls.

Board of Directors and its Committees (cont)

The role of shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders as follows:

- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act 2001 and is lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange. The financial report is sent to any shareholder who requests it;

- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders;

- notices of all meetings of shareholders.

All documents that are released publicly are made available on the consolidated entity's internet web site at www.pocketmail.com.au.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

NOTES

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A.C.N. 008 719 015

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The KPMG Centre
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Solicitors:
Clayton Utz
Level 23-35,
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Bankers:
National Australia Bank
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Stock Exchange:
The Company is listed on the
Australian Stock Exchange,
The Home Exchange is Sydney.

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