

PRELIMINARY FINAL REPORT GIVEN TO THE ASX UNDER LISTING RULE 4.3A

Name of entity

POCKETMAIL GROUP LIMITED

ABN or equivalent reference #

96 008 719 015

Reporting period

Financial year ended 30 June 2004

Previous corresponding period

Financial year ended 30 June 2003

Contents	Item
Results for announcement to the market	1.
Commentary on Results	2.
Condensed Consolidated Statement of Financial Performance	3.
- Revenue from ordinary activities	3.1
- Expenses from ordinary activities	3.2
- Extraordinary Items	3.3
- Individually Significant Items	3.4
- Amortisation and Impairment Expenses	3.5
- Capitalisation of Borrowing Costs	3.6
- Comparison of Half-Year Profits	3.7
Condensed Consolidated Statement of Financial Position	4.
- Consolidated Retained Profits	4.1
- Exploration and Evaluation Expenditure Capitalised	4.2
- Development Properties	4.3
Condensed Consolidated Statement of Cash Flows	5.
- Reconciliation of Cash	5.1
- Non-Cash Financing and Investing Activities	5.2
Net tangible assets per ordinary share	6.
Details of controlled entities	7.
Details of associates and joint venture entities	8.
Dividends	9.
Accounting Standards	10.
Other Information Regarding the Accounts	11.
Other Significant Information	12.

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	down	16 %	to \$	8,593,595
Profit(Loss) from ordinary activities after income tax attributable to members	up	138 %	to \$	277,775
Net profit (loss) for the period attributable to members	up	138 %	to \$	277,775

Dividends per Share

Final

Interim

Amount per share	Franked amount per share at 30% tax
0 cents	0 cents
0 cents	0 cents

Record date for determining entitlements to dividends **NOT APPLICABLE**

PocketMail Group Limited has not proposed to issue any dividends.

Explanations : Please refer Commentary on Results

2. COMMENTARY ON RESULTS

PocketMail Reports 2004 Results

Generates Net Income of \$275,775 and EBITDA of \$1,246,707.

SYDNEY, 27th August 2004 -- PocketMail Group Limited (ASX: PKT) today announced financial results for the year ended June 30, 2004. Highlights for the year include:

- Net Income of \$277,775, compared to a loss of (\$735,118) (2003);
- EBITDA of \$1,246,707 compared to \$951,189 (2003);

"During the year, PocketMail achieved profitability due primarily to reduced costs and new sources of revenue", said David Marchant, PocketMail Chief Executive Officer.

2004 Financial Results

Revenues

Overall, total revenues were \$8,593,595 a decrease of \$1,666,359 or 16% over 2003.

Other revenues grew \$721,070 over prior year to \$924,248 driven primarily by revenues earned from a contract with the United States Government for the use of PocketMail Technology.

Subscription revenues were \$6,544,683, a decrease of 25% from prior year. This was due both to a decline in subscriber numbers (see below) and the depreciation of the U.S. dollar against the Australian dollar (the average A\$: US\$ exchange rate was 0.586 in year ended June 30, 2003 against 0.715 in year ended June 30, 2004). Approximately 88% of subscriber revenues are earned in the U.S.

PocketMail ended the financial year with 29,820 paying subscribers, a net reduction of 5,552 subscribers, or 16%, from a year ago.

Although device unit sales were up 15% over 2003, product revenues decreased \$197,576 from prior year to \$1,124,665 due to reduced gross margins (see below).

Gross Margins

Telecommunication, hosting and other network service costs decreased \$957,301 to \$1,049,111. This reflects continuing improvements in telecommunications costs per subscriber and reduced subscriber numbers. Gross margins on service revenue were 84%, an improvement from the prior year margin of 77%.

Gross margins on higher unit product sales decreased from 25% in 2003 to 9% in 2004.

Other Costs

Employee, marketing, customer support, premises and general and administrative expenses were \$5,269,461 a reduction of \$1,044,943 or 17% from the prior year. These costs decreased to 61% of total revenues from 62% in the prior year.

Result

EBITDA for the year improved \$295,518 to \$1,246,707, or 15% of revenues, up from \$951,189, or 9% of revenues in the prior year. This primarily reflects the positive impact of improved telecommunication costs per subscriber and new revenues from the U.S. government contract more than compensating for the negative impact of reduced subscriber revenues.

Net income for the year was \$277,775, an improvement of \$1,012,893 or 138% from a loss of (\$735,118), in the prior year.

The significant improvement in net income is the result of the \$295,518 increase in EBITDA (noted above), and a \$717,375 improvement in depreciation and finance charges due primarily to fixed assets becoming fully depreciated during the year and lease financing costs declining as remaining finance leases were paid out.

Lease liabilities remaining at June 30, 2004 total \$3,844, a decrease of \$166,313 from liabilities at June 30, 2003.

The current year result is inflated as a result of an error relating to conversion of foreign currencies in the previous year's financial statements. Due to this error, the current year profit has been overstated by \$178,200 and the prior year loss has been overstated by \$178,200. Had the error not occurred in the previous year, the current year accounts would show a profit of \$99,575 and EBITDA of \$1,068,507. Similarly, the previous year accounts would have shown a loss of (\$556,918) and EBITDA of \$1,129,389.

Recent Developments

Partnering with California based LetsTalk, Inc, PocketMail has begun marketing cell phone offers to its U.S. customer base via email and through its PocketMail-branded e-commerce Web-site, www.pocketmail.com/cellphones.

PocketMail is about to commence trialing direct response print ads through remnant magazine and newspaper media space. This offers the potential for significant new subscriber acquisition in a cost effective manner.

PocketMail is currently testing an inexpensive VOIP-based solution for the transmission of PocketMail data back to our Network Operations Center in San Jose, California. If successful, this would allow PocketMail to rapidly deploy new installations around the world at minimal cost and with little on-going maintenance.

PocketMail is currently negotiating distribution partnerships in Eastern Europe, the Middle East and Africa.



David Marchant
Chief Executive Officer

3. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Current Period A\$'000	Previous Corresponding Period A\$'000
Revenue from ordinary activities - <i>refer 3.1 below</i>	8,594	10,260
Expenses from ordinary activities - <i>refer 3.2 below</i>	(8,091)	(10,835)
Borrowing Costs - <i>refer 3.6 below</i>	(225)	(160)
Share of net profits(losses) of associates and joint venture entities	-	-
Profit(Loss) from ordinary activities before tax	278	(735)
Income tax on ordinary activities	-	-
Profit(Loss) from ordinary activities after tax	278	(735)
Profit(Loss) from extraordinary items after tax - <i>refer 3.3 below</i>	-	-
Net profit(loss)	278	(735)
Net profit(loss) attributable to outside equity interests	-	-
Net profit(loss) for the period attributable to members	278	(735)

Non-Owner Changes in Equity		
Increase(Decrease) in revaluations reserves	-	-
Net exchange differences on translation of financial report of foreign controlled entity	(11)	(164)
Net amount of each revenue, expense or valuation adjustment, recognised directly in equity in accordance with an Accounting Standard	-	-
Net amount of each initial adjustment recognised directly in equity in accordance with transitional provisions of UIG Consensus Views	-	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity	(11)	(164)
Total changes in equity other than those resulting from transactions with owners as owners	267	(899)

Basic Earnings Per Share	0.1 cents	(0.2) cents
Diluted Earnings Per Share	0.1 cents	(0.2) cents
Dividends Per Share	0.0 cents	0.0 cents

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

3.1 Revenue from Ordinary Activities

	Current Period A\$'000	Previous Corresponding Period A\$'000
Revenue from Sales	1,125	1,322
Revenue from Services	6,545	8,735
Contract Revenue	857	-
Interest Revenue	1	2
Other relevant revenues		
- <i>Grants Received</i>	66	27
- <i>Debt Forgiven</i>	-	158
- <i>Other</i>	-	16
	8,594	10,260

3.2 Expenses from Ordinary Activities

	Current Period A\$'000	Previous Corresponding Period
Employee expenses	3,318	3,656
Advertising expenses	367	455
Depreciation and amortisation expenses	744	1,342
Cost of Goods sold	1,028	988
Legal expenses	102	169
Listing costs	36	44
Consulting expenses	32	190
Travel expenses	201	230
Telecommunications expenses	1,049	2,006
Insurance	112	170
Write-off fixed asset	-	184
Occupancy expenses	398	515
Other expenses from ordinary activities	704	886
	8,091	10,835

**3.3 Extraordinary Items
NOT APPLICABLE**

Current Period A\$'000	Previous Corresponding Period A\$'000
-	-

3.4 Individually Significant Items

	Current Period A\$'000	Previous Corresponding Period A\$'000
Revenue from contract for use of PocketMail technology	857	-
	857	-

3.5 Amortisation and Impairment Expenses

	Consolidated - Current period			
	Before tax A\$'000	Related tax A\$'000	Related outside equity interests A\$'000	Amount (after tax) attributable to members A\$'000
Amortisation of goodwill	555	-	-	555
Amortisation of other intangibles	-	-	-	-
Total amortisation of intangibles	555	-	-	555
Impairment of goodwill	-	-	-	-
Impairment of other intangibles	-	-	-	-
Impairment of other assets	-	-	-	-
	-	-	-	-

3.6 Capitalisation of Borrowing Costs

Borrowing costs capitalised that are not included in borrowing cost expenses disclosed above include:

	Current Period A\$'000	Previous Corresponding Period A\$'000
Interest costs relating to Related Parties	230	83
Interest costs relating to Finance Leases	(65)	72
Interest costs relating to Bank Loans	60	5
	225	160

3.7 Comparison of Half-Year Profits

	Current Period A\$'000	Previous Corresponding Period A\$'000
Consolidated profit(loss) from ordinary activities after tax attributable to members reported for the 1st half yearly report	781	(463)
Consolidated profit(loss) from ordinary activities after tax attributable to members for the 2nd half year	(503)	(272)

4. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Current Period A\$'000	Previous Corresponding Period A\$'000
Current Assets		
Cash	152	431
Receivables	436	448
Inventories	472	28
Other - Prepayments	291	173
Total Current Assets	1,351	1,080
Non-Current Assets		
Property, plant and equipment (net)	154	270
Intangible assets (net)	1,020	1,574
Total Non-Current Assets	1,174	1,844
TOTAL ASSETS	2,525	2,924

Current Liabilities		
Payables	1,462	1,042
Interest-bearing liabilities	193	347
Provisions	141	113
Revenue from subscription services received in advance	2,276	3,210
Total Current Liabilities	4,072	4,712
Non-Current Liabilities		
Interest-bearing liabilities	2,507	2,594
Total Non-Current Liabilities	2,507	2,594
TOTAL LIABILITIES	6,579	7,306
NET ASSETS	(4,054)	(4,382)

Equity		
Capital/Contributed Equity	24,303	24,253
Reserves	(15)	(4)
Retained Profits/(Accumulated Losses)	(28,342)	(28,631)
Equity Attributable to Members of the Parent Entity	(4,054)	(4,382)
Outside equity interests in controlled entities	-	-
Total Equity	(4,054)	(4,382)

Preference Capital included as part of Capital/Contributed Equity above	-	-
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NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

4.1 Consolidated Retained Profits

	Current Period A\$'000	Previous Corresponding Period A\$'000
Retained Profits (Accumulated Losses) at the beginning of the financial period	(28,631)	(27,896)
Net profit (loss) attributable to members	278	(899)
Net transfers from (to) reserves	11	164
Net effect of changes in accounting policies	-	-
Dividends and other equity distributions paid or payable	-	-
Retained Profits (Accumulated Losses) at the end of the financial period	(28,342)	(28,631)

4.2 Exploration and Evaluation Expenditure Capitalised

NOT APPLICABLE

	Current Period A\$'000	Previous Corresponding Period A\$'000
Opening balance		
Expenditure incurred during the current period		
Expenditure written off during the current period		
Acquisitions, disposals, revaluation increments etc		
Expenditure transferred to Development Properties		
Closing balance as shown in Consolidated Statement of Financial Position	-	-

4.3 Development Properties

NOT APPLICABLE

	Current Period A\$'000	Previous Corresponding Period A\$'000
Opening balance		
Expenditure incurred during the current period		
Expenditure transferred from Exploration & Evaluation		
Expenditure written off during the current period		
Acquisitions, disposals, revaluation increments etc		
Closing balance as shown in Consolidated Statement of Financial Position	-	-

5. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Period A\$'000	Previous Corresponding Period A\$'000
Cash flows related to operating activities		
Receipts from customers	7,812	10,099
Payments to suppliers and employees	(7,613)	(9,977)
Interest and other items of a similar nature received	1	2
Interest and other costs of finance paid	(116)	(19)
Net operating cash flows	84	105
Cash flows related to investing activities		
Payments for purchases of property, plant and equipment	(73)	(77)
Net investing cash flows	(73)	(77)

Cash flows related to financing activities		
Proceeds from borrowings	-	573
Repayment of borrowings	(163)	(350)
Finance lease payments	(98)	(610)
Net financing cash flows	(261)	(387)
Net increase (decrease) in cash held	(250)	(359)
Cash at beginning of period - <i>refer 5.1 below</i>	431	803
Exchange rate adjustments to cash at beginning of period	(29)	(13)
Cash at end of period - refer 5.1 below	152	431

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

5.1 Reconciliation of Cash

	Current Period A\$'000	Previous Corresponding Period A\$'000
Cash on hand and at bank	152	431
Total cash at end of period	152	431

5.2 Non-Cash Financing and Investing Activities

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 July 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. In October 2003, 2 Million ordinary shares at 2 cents each were issued against this for non cash consideration.

OTHER NOTES TO THE CONDENSED FINANCIAL STATEMENTS

	Current Period	Previous Corresponding Period
6. NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA backing) - Cents	(1.1)	(1.3)

7. DETAILS OF CONTROLLED ENTITIES

7.1 Control Gained Over Entities During the Period

NOT APPLICABLE

Name of entity		
Date control acquired, i.e. date from which profit(loss) has been calculated		
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) during the current period since the date on which control was acquired		
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) for the whole of the previous corresponding period		

7.2 Loss of Control of Entities During the Period

Name of entity	PocketMail Singapore Pte Ltd	PocketMail Hong Kong Ltd
Date of loss of control, i.e. date until which profit(loss) has been calculated	30 June 2004	30 June 2004
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) during the current period to the date on which control was lost	\$ 45,060	\$ 8,057
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	\$ (9,472)	\$ (3,262)
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$ 0	\$ 2,602

8. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

NOT APPLICABLE

8.1 Equity Accounted Associates and Joint Venture Entities

NOT APPLICABLE

	%Ownership Interest		Contribution to Net Profit	
	Current Period %	Previous Corresponding Period %	Current Period A\$ '000	Previous Corresponding Period A\$ '000

8.2 Aggregate Share of Profits(Losses) of Associates and Joint Venture Entities

NOT APPLICABLE

Group's Share of Associates and Joint Venture

Entities:

Profit(Loss) from ordinary activities before tax

Income tax on ordinary activities

Profit(Loss) from ordinary activities after tax

Extraordinary items net of tax

Net profit(loss)

Adjustments

Share of net profit(loss) of associates and joint venture entities

Current Period A\$'000	Previous Corresponding Period A\$'000

9. DIVIDENDS

9.1 Dividends per Share

Final
- current period
- previous corresponding period

Interim
- current period
- previous corresponding period

Amount per share	Franked amount per share at 30% tax	Amount per share of foreign source dividend
0 cents 0 cents	0 cents 0 cents	0 cents 0 cents
0 cents 0 cents	0 cents 0 cents	0 cents 0 cents

9.2 Total Dividends NOT APPLICABLE

Interim - paid/payable on

Final - paid/payable on

Current Period A\$'000	Previous Corresponding Period A\$'000

All dividends reflected as distributions above were paid during the period.

9.3 Dividend Reinvestment Plans

NOT APPLICABLE

The last date for receipt of election notices for participation in any dividend reinvestment plans

NOT APPLICABLE

10. ACCOUNTING STANDARDS

The Financial Report is a general purpose Financial Report that has been prepared in accordance with the requirements of Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board ("AASB") has issued AASB equivalents to International Financial Reporting Standards ("IFRS") for application to reporting periods beginning on or 1 January 2005. The impact of adopting AASB equivalents to IFRS standards will be reflected first in the financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

The transition to AASB equivalents to IFRS is under the control of the Chief Financial Officer ("CFO"). This will include training of staff and system and other changes required to produce the required financial information. The CFO periodically reports to the Audit Committee on progress. To date, the AASB equivalents have been analysed, and significant accounting policy changes that will be required have been identified.

Major changes to existing accounting policies identified to date that will be required include the following:

Share-Based Payments

The group does not currently recognise an expense for options issued to staff. On adoption of Australian equivalents to IFRS's, the group will recognise an expense for all share-based remuneration, including deferred shares and options, and will amortise those expenses over the relevant vesting periods. This will result in additional expenses being recorded, and therefore lowering earnings, and will have an initial negative impact on retained earnings at 1 July 2004 when retrospective adjustments are made for options that have not vested by 1 January 2005.

Goodwill

Goodwill acquired in a business combination, such as the group's acquisition of PocketMail Inc. (USA), will not require amortisation, but instead be subject to impairment testing at least annually. If there is any impairment, it will be recognised immediately in the statement of financial performance. This will result in lower amortisation expenses being recorded, and therefore higher earnings on an annual basis, and increased volatility of results in the event of impairment.

Taxation

A "Balance Sheet" approach will be adopted, replacing the "statement of financial performance" approach currently used by Australian companies. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability, and its tax base. It is expected that the standard may require the group to carry higher levels of deferred tax assets and liabilities. This will result in the recognition of new assets and liabilities and an initial impact on retained earnings at 1 July 2004. Considering the significant losses carried forward for the group from previous years, the revised approach is not expected to have an impact on earnings or net assets at transition.

Translation of Foreign Subsidiaries

Currently the group translates the accounts of foreign subsidiaries using the temporal method for integrated operations. Australian equivalents to IFRSs do not distinguish between integrated and self-sustaining operations and all investments in a foreign subsidiary with a functional currency different to the group's presentation currency will be translated using the closing rate for assets and liabilities; the transaction date rate (or average rate) for income and expenses; with differences taken to equity. This will result in more stable earnings and higher balances in equity on translation of integrated foreign operations.

Presentation Currency

The group is currently required to present the financial statements in Australian currency. Under Australian equivalents to IFRSs the group may select a presentation currency other than Australian currency.

Related Party Loans

At 30 June 2004, the group is in receipt of interest-free funding from a related party and this balance is measured as the capital outstanding at that date. Under Australian equivalents to IFRSs, financial liabilities are measured at amortised cost using a market-related interest rate. On 1 July 2004 this will result in a reduction of financial liabilities and an initial positive adjustment to opening balances of retained earnings.

Impairment of Assets

The group currently assesses the amount of impairment of assets by determining the recoverable amount of the asset on the basis of undiscounted cash flows. Under Australian equivalents to IFRSs, the group will be required to determine the recoverable amount as the higher of fair value less costs to sell and value in use (which is determined using discounted cashflows). It is possible that this change in policy may lead to impairments being recognised more often than under the existing policy and increased volatility in future earnings. The group has not determined whether an impairment adjustment will be recognised on transition at 1 July 2004.

11. OTHER INFORMATION REGARDING THE ACCOUNTS

11.1 The information contained in this Appendix 4E is based on accounts which (choose one):

- have been audited
- are in the process of being audited
- have not yet been audited

11.2 Audit Disputes or Qualifications

Economic Dependency

The financial statements have been prepared on a going concern basis which contemplates continuity of normal trading activities and the realisation of assets and settlement of liabilities in the normal course of business. The economic entity's continued existence is ultimately depending upon the success of future operations.

The group's existence as a going concern is dependent upon the ability of the group to generate sufficient cashflows to service current debt and the continued financial support of its major shareholder who at 30 June 2004 has provided loans to the company amounting to \$2,506,734 (2003: \$2,397,803), which are payable after one year.

If the economic entity is unable to continue as a going concern, it may be required to realise assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial accounts.

12. OTHER SIGNIFICANT INFORMATION

The current year result is inflated by \$178,200 as a result of an error relating to conversion of foreign currencies in the previous year's financial statements. Had the error not occurred in the previous year, the current year profit would have been \$99,575. Due to this error, the prior year loss was overstated by \$178,200.