

MARKET RELEASE

POCKETMAIL GROUP LIMITED



ASX Announcement – Preliminary Final Report

SYDNEY, Tuesday 13th September 2005 -- PocketMail Group Limited (ASX: PKT), a leading provider of value-priced mobile e-mail services, today released its Preliminary Final Report (Appendix 4E) for the year ended June 30, 2005.

Financial Results Summary:

- EBITDA of \$459,717 (2004: \$1,246,707);
- Net loss of \$1,058,683 (2004: net profit of \$277,775); and
- Depreciation, amortization and goodwill impairment of \$1,104,518 (2004: \$743,929) including goodwill impairment of \$465,164 (2004: nil).

2005 Financial Results

Revenues

Overall, total revenues were \$5,911,735, a decrease of \$2,681,860 (or 31%) over 2004.

Subscription revenues were \$5,110,160, a decrease of \$1,434,523 (or 22%) from prior year. This was due to a decline in subscriber numbers (see below) and a continuing depreciation of the U.S. dollar against the Australian dollar (see table below). Approximately 87% of subscriber revenues are earned in the U.S.

Year Ended 30 June	2005	2004	2003
Average A\$:US\$ Exchange Rate	0.754	0.715	0.586

PocketMail ended the financial year with 26,195 paying subscribers, a net reduction of 3,625 subscribers, or 12%, from a year ago.

Product revenues decreased \$519,829 (or 54%) from prior year to \$604,836, reflecting a mix of reduction in unit sales and reduced margins per unit sale (see below).

Other revenues declined \$727,509 to \$196,739 due to the "one-off" nature of (and \$828,559 reduction in) revenues earned in the prior financial year from a contract with the United States Government for the use of PocketMail Technology.

Gross Margins

Telecommunication, hosting and other network service costs decreased 21% from \$1,049,111 to \$824,175. Gross margins on service revenue were 84%, unchanged from the prior year margin of 84%.

Gross margins on product sales decreased from 9% in 2004 to -12% in 2005.

Other Costs

Employee, marketing, customer support, premises and general and administrative expenses were \$3,947,561 a reduction of \$1,321,900 or 25% from the prior year. These costs increased to 67% of total revenues from 61% in the prior year.

Goodwill Amortization & Impairment

Depreciation, amortization and goodwill impairment totalled \$1,104,518 (2004: \$743,929).

The results for the year include normal annual goodwill amortization of \$554,508 (2004: \$554,508) and an additional goodwill impairment loss of \$465,164.

As a result of the goodwill impairment loss, all goodwill arising from the acquisition of the worldwide PocketMail business in 2001 has now been amortized or otherwise expensed as at June 30, 2005.

Financing Costs

Financing charges increased \$188,879 from \$225,003 to \$413,882.

Result

EBITDA for the year declined to \$459,717 (or 8% of revenues) down from \$1,246,707, or 15% of revenues in the prior year. This primarily reflects the impact of the \$828,559 reduction in revenues from the U.S. government over the prior year.

The net loss for the year was \$1,058,683 compared with net income for the prior year of \$277,775.

The reduction in net income is the result of the \$786,990 decrease in EBITDA (noted above), the \$360,589 increase in depreciation, amortization and goodwill impairment, and the \$188,879 increase in finance charges.

About PocketMail

PocketMail Group Limited (ASX:PKT) is a leading provider of value-priced, world-wide mobile e-mail services. The company's services are available locally throughout the United States, Canada, Western Europe, Australia, New Zealand, the Bahamas, U.A.E. and internationally from every other country in the world.

PocketMail has operations in Sydney, Australia and San Jose, California. For more information about PocketMail and its services, please visit www.pocketmail.com

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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 2005

Previous corresponding period

Financial year ended 30 June 2004

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	\$	2,681,860	to \$	5,911,735
Profit(Loss) from ordinary activities after income tax attributable to members	down	\$	1,336,458	to \$	-1,058,683
Net profit (loss) for the period attributable to members	down	\$	1,336,458	to \$	-1,058,683

Dividends per Share	Amount per share	Franked amount per share at 30% tax
Final	0 cents	0 cents
Interim	0 cents	0 cents

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

PocketMail Group Limited has not proposed to issue any dividends.

Explanations : Refer commentary on Results

2. COMMENTARY ON RESULTS

see Covering Letter

Significant Features of Operating Performance

Segment Results

Performance Trends

Other Factors

3. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE PERFORMANCE

	Current Period A\$'000	Previous Corresponding Period A\$'000
Revenue from ordinary activities - <i>refer 3.1 below</i>	5,912	8,594
Expenses from ordinary activities - <i>refer 3.2 below</i>	(6,557)	(8,091)
Borrowing Costs - <i>refer 3.6 below</i>	(414)	(225)
Share of net profits(losses) of associates and joint venture entities	-	-
Profit(Loss) from ordinary activities before tax	(1,059)	278
Income tax on ordinary activities	-	-
Profit(Loss) from ordinary activities after tax	(1,059)	278
Profit(Loss) from extraordinary items after tax - <i>refer 3.3 below</i>	-	-
Net profit(loss)	(1,059)	278
Net profit(loss) attributable to outside equity interests	-	-
Net profit(loss) for the period attributable to members	(1,059)	278

Non-Owner Changes in Equity		
Increase(Decrease) in revaluations reserves	-	-
Net exchange differences on translation of financial report of foreign controlled entity	-	(11)
Net amount of <u>each</u> revenue, expense or valuation adjustment, recognised directly in equity in accordance with an Accounting Standard	-	-
Net amount of <u>each</u> 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)
Total changes in equity other than those resulting from transactions with owners as owners	(1,059)	267

Basic earnings/(loss) per share	(0.2) cents	0.06 cents
Diluted earnings/(loss) per share	(0.2) cents	0.06 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 Services	5,110	1,125
Revenue from Sales	605	6,545
Contract Revenue	28	857
Interest Revenue	1	1
Other relevant revenues		
- <i>Grants Received</i>	122	66
- <i>Debt Forgiven</i>	-	-
- <i>Other</i>	45	-
	5,912	8,594

3.2 Expenses from Ordinary Activities

	Current Period A\$'000	Previous Corresponding Period
Employee and Contractor costs	2,477	3,318
Advertising expenses	190	367
Goodwill Impairment	465	-
Depreciation and amortisation expenses	639	744
Cost of Goods sold	680	1,028
Legal expenses	38	102
Listing costs	34	36
Consulting expenses	32	32
Travel expenses	137	201
Telecommunications expenses	824	1,049
Insurance	100	112
Occupancy expenses	285	398
Other expenses from ordinary activities	656	704
	6,557	8,091

**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	28	857
	28	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	-	-	1
Amortisation of other intangibles	-	-	-	-
Total amortisation of intangibles	555	-	-	1
Impairment of goodwill	465	-	-	-
Impairment of other intangibles	-	-	-	-
Impairment of other assets	-	-	-	-
Total impairment of intangibles	465	-	-	-

3.6 Capitalisation of Borrowing Costs

borrowing cost expenses disclosed above include:

	Current Period A\$'000	Previous Corresponding Period A\$'000
Interest costs capitalised in asset values	-	-
Interest costs capitalised in intangibles (unless arising from an acquisition of a business)	-	-
Interest costs relating to Related Parties	297	230
Interest costs relating to Finance Leases	-	(65)
Interest costs relating to other persons	117	60
	414	225

3.7 Comparison of Half-Year Profits

	Current Period A\$'000	Previous Corresponding Period
Consolidated profit(loss) from ordinary activities after tax attributable to members reported for the 1st half yearly report	(333)	787.00
Consolidated profit(loss) from ordinary activities after tax attributable to members for the 2nd half year	(726)	(1,065)

4. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Current Period A\$'000	Previous Corresponding Period A\$'000
Current Assets		
Cash	41	152
Receivables	225	436
Inventories	280	472
Other - Prepayments	157	291
Total Current Assets	703	1,351
Non-Current Assets		
Property, plant and equipment (net)	92	154
Intangible assets (net)	-	1,020
Total Non-Current Assets	92	1,174
TOTAL ASSETS	795	2,525

Current Liabilities		
Payables	1,078	1,462
Interest-bearing liabilities	2,803	193
Provisions	116	141
Revenue from subscription services received in advance	1,718	2,276
Total Current Liabilities	5,715	4,072
Non-Current Liabilities		
Interest-bearing liabilities	193	2,507
Total Non-Current Liabilities	193	2,507
TOTAL LIABILITIES	5,908	6,579
NET ASSETS	(5,113)	(4,054)

Equity		
Capital/Contributed Equity	24,303	24,303
Reserves	(15)	(15)
Retained Profits/(Accumulated Losses)	(29,401)	(28,342)
Equity Attributable to Members of the Parent Entity	(5,113)	(4,054)
Outside equity interests in controlled entities	-	-
Total Equity	(5,113)	(4,054)

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	(28,342)	(28,631)
Net profit (loss) attributable to members	(1,059)	278
Net transfers from (to) reserves	-	11
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	(29,401)	(28,342)

4.2 Exploration and Evaluation Expenditure Capitalised

NOT APPLICABLE

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

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

4.3 Development Properties

NOT APPLICABLE

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

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

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	5,446	7,812
Payments to suppliers and employees	(5,528)	(7,613)
Interest and other items of a similar nature received	123	1
Interest and other costs of finance paid	(134)	(116)
Net operating cash flows	(93)	84
Cash flows related to investing activities		
Payments for purchases of property, plant and equipment	(23)	(73)
Net investing cash flows	(23)	(73)

Cash flows related to financing activities		
Proceeds from borrowings	200	
Repayment of borrowings	(181)	(163)
Finance lease payments	0	(98)
Net financing cash flows	19	(261)
Net increase (decrease) in cash held	(97)	(250)
Cash at beginning of period - <i>refer 5.1 below</i>	152	431
Exchange rate adjustments to cash at beginning of period	(14)	(29)
Cash at end of period - refer 5.1 below	41	152

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	41	152
Total cash at end of period	41	152

OTHER NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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

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		
Date of loss of control, i.e. date until 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 to the date on which control was lost	\$	\$
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	\$	\$
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$	\$

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

9. DIVIDENDS

9.1 Dividends per Share

	Amount per share	Franked amount per share at 30% tax	Amount per share of foreign source dividend
Final			
- current period	0 cents	0 cents	0 cents
- previous corresponding period	0 cents	0 cents	0 cents
Interim			
- current period	0 cents	0 cents	0 cents
- previous corresponding period	0 cents	0 cents	0 cents

9.2 Total Dividends NOT APPLICABLE

	Current Period A\$'000	Previous Corresponding Period A\$'000
Interim - paid/payable on		
Final - paid/payable on		

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

9.3 Dividend Reinvestment Plans

[Include details of any dividend reinvestment plans in operation]

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.

11 OTHER INFORMATION REGARDING THE ACCOUNTS

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

11.1

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

11.2 Audit Disputes or Qualifications

In the Company's financial statements for the year ended 30 June 2004, and for the half year to 31 December 2004, the auditors disclosed "inherent uncertainty regarding continuation as a going concern". The current 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 financial statements for the year ended 30 June 2005 are in the process of being audited, and the "going concern issue" is again being considered.

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 2005 has provided loans to the company amounting to \$2,959,808 (2004: \$2,506,734). The most recent loan facility, dated 18 August 2004, requires repayments of interest commencing 1 February 2005 and repayments of principal commencing 1 August 2005. The Company is currently in default of that facility. In a letter to the Company dated 25 February 2005, the major shareholder stated that it will not call upon its loans "within the next 12 months unless the Company is able to make such repayments in the normal course of operations." The Company is currently in discussion with the major shareholder regarding its loan facilities.

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.

