

## **ASX Announcement Half-Year Results To 31 December 2004**



### **PocketMail Generates EBITDA of \$204,973**

**SYDNEY, 28<sup>th</sup> February 2005** -- PocketMail Group Limited (ASX: PKT) today announced financial results for the half year ended December 31, 2004. Highlights for the half-year include:

- EBITDA of \$204,973;
- All non-shareholder debt now extinguished;

PocketMail Chief Executive, David Marchant, commented:

"This is another period of positive EBITDA performance. Except for the first half of calendar 2004, when we were EBITDA negative (\$71k) due to some abnormal restructuring costs, we have been consistently EBITDA positive since mid-2002."

"We have been applying the net cash generated from operations to discharge all bank and lease finance debt. We now have only shareholder debt on our balance sheet."

"Our challenge remains to grow our revenues and profitability. To this end, whilst remaining focused on the core PocketMail mobile email service, the Company is actively pursuing acquisition and other opportunities to grow revenues in related areas."

### **2004 Financial Results**

#### **Revenues**

PocketMail ended the calendar year with 28,407 paying subscribers, a net reduction of 1,413 subscribers, or 5%, from 30 June 2004.

Average monthly churn declined to 2.8% for the half year (3.0% for half year to 31 December, 2003). This compares favorably with much higher churn rates being reported in the United States by the leading ISPs (e.g. EarthLink reported average overall monthly churn of 4.7% for the half year to 31 December 2004).

Subscriber activations for the half-year increased 34% to 3,503 from 2,609 (half year to 31 December 2003).

Overall, total revenues were \$3,135,050, a decrease of \$1,989,839 or 39% over the half year to 31 December 2003. Revenues in the half-year to 31 December 2003 included \$836,557 of non-recurring revenues earned from a contract with the United States Government for the use of PocketMail Technology.

Subscription revenues were \$2,733,515 a decrease of 25% from half year to 31 December 2003. This was due both to a decline in subscriber numbers and a depreciation of the U.S. dollar against the Australian dollar (the average A\$: US\$ exchange rate was 0.688 in half year ended December 31, 2003 against 0.734 in half year ended December 31, 2004). Approximately 88% of subscriber revenues are earned in U.S. dollars.

Product revenue for the half year was \$301,423 a reduction of \$268,622 or 47% from \$570,045 in half year to 31 December 2003. This reflects a 17% reduction in unit device sales and reduced gross margins. Product revenues exclude sales of \$83,831 made to new retail channels on a consignment basis in December 2004.

### **Gross Margins**

Telecommunication, hosting and other network service costs decreased from \$583,631 to \$420,710. This reflects continuing improvements in telecommunications costs per subscriber and reduced subscriber numbers. Gross margins on service revenue improved slightly in the half to 85%.

### **Other Costs**

Employee, marketing, customer support, premises and general and administrative expenses were \$2,133,593 a reduction of \$608,054 or 22% from the half year ended 31 December 2003.

### **Result**

Excluding the impact of non-recurring revenues of \$836,557 for the use of PocketMail technology, EBITDA decreased for the half year to \$204,973 from \$481,251 in the half year ended 31 December 2003.

### **Balance Sheet**

All remaining lease liabilities were extinguished during the half. More recently, in February 2004, the remaining bank debt was fully paid down. The only remaining debt is now with the major shareholder.

### **Recent Developments**

The company continues to develop and enhance the PocketMail service. Since 30 June 2004, the Company has transitioned customers to a new email infrastructure built upon the superior IMAP (Internet Message Access Protocol) protocol, significantly upgraded its WebMail service for customers, increased email storage to 250MB for all customers, added anti-virus scanning, upgraded device software and released an easy-to-use back-up & restore utility.

The Company also successfully completed testing of an inexpensive VOIP-based solution for the transmission of PocketMail data from other overseas locations back to its Network Operations Center in San Jose, California.

This technology will be used to extend local PocketMail access this year in the Bahamas, Mexico and New Zealand being locations widely visited by our cruising yacht, touring RV and traveling Australian customers respectively.

This half, the Company will also release a new email alert service in North America, an integrated new Web Journals (Blogging) service, and a global pay-as-you go Internet access product.

A handwritten signature in black ink, appearing to read 'D Marchant', with a stylized, cursive script.

David Marchant  
CEO

### **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 and Australia, 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 mobile e-mail services, please visit [www.pocketmail.com](http://www.pocketmail.com)

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# PocketMail Group Limited and its Controlled Entities

## Directors' Report

*For the Half-Year Ended 31 December 2004*

The directors submit their report for the six months ended 31 December 2004.

### DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below.

Directors were in office for this entire period unless otherwise stated.

Andrew Kelly (Chairman)  
David Marchant (Executive Director)  
Robert Hodges (Non Executive Director)  
Stace Vallianos (Alternate Director)

### REVIEW AND RESULTS OF OPERATIONS

	Consolidated	
	31-Dec-04	31-Dec-03
	\$'000	\$'000
Sales revenue	3,035	4,222
Revenue from use of PocketMail technology	28	837
Other revenue from ordinary activities	<u>72</u>	<u>66</u>
Total revenue from ordinary activities	<u>3,135</u>	<u>5,125</u>
EBITDA	205	1,317
EBIT	(333)	787
Net profit / (loss) after tax attributable to the members of PocketMail Group Limited for the six months ended:	<u>(333)</u>	<u>781</u>

### Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

Signed in accordance with a resolution of the directors.



Andrew Kelly  
**Chairman**  
SYDNEY, AUSTRALIA  
28 February 2005



David Marchant  
**Chief Executive Officer**

# PocketMail Group Limited and its Controlled Entities

## Statements of financial performance

For the Half-Year Ended 31 December 2004

	Note	Consolidated	
		Half Year	
		2004 \$'000	2003 \$'000
Revenue from sale of goods		301	570
Revenue from provision of services		2,734	3,652
Revenue from use of PocketMail technology	4	28	837
Other revenue from ordinary activities	4	72	66
<b>Total revenue</b>		<b>3,135</b>	<b>5,125</b>
Advertising expenses		87	168
Borrowing costs		213	131
Cost of Goods sold		376	491
Depreciation and amortisation expenses		325	399
Employee expenses		1,390	1,636
Insurance		48	60
Legal expenses		7	63
Merchant fees		124	93
Other expenses from ordinary activities		211	463
Outsourced customer service		-	6
Premises		181	204
Telecommunications expenses		438	527
Travel expenses		68	97
		<b>3,468</b>	<b>4,338</b>
<b>(Loss) Profit from ordinary activities before related income tax expense</b>		<b>(333)</b>	<b>787</b>
Income tax (expense)/benefit relating to ordinary activities		-	-
<b>(Loss) Profit from ordinary activities after related income tax expense</b>		<b>(333)</b>	<b>787</b>
<b>Net (Loss) Profit</b>		<b>(333)</b>	<b>787</b>
<b>Non-owner transaction changes in equity</b>			
Net exchange difference on translation of financial report of foreign controlled entity		-	(6)
<b>Total changes in equity from non-owner related transactions attributable to the members of the parent entity</b>		<b>(333)</b>	<b>781</b>
Basic (loss) profit per share		\$(0.001)	\$0.002
Diluted (loss) profit per share		\$(0.001)	\$0.002

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 8 to 13.

# PocketMail Group Limited and its Controlled Entities

## Statements of financial position

For the Half-Year Ended 31 December 2004

	Consolidated	
Note	31 December 2004 \$'000	30 June 2004 \$'000
<b>Current assets</b>		
Cash assets	90	152
Receivables	197	436
Inventories	344	472
Other	179	291
	<hr/>	<hr/>
<b>Total current assets</b>	<b>810</b>	<b>1,351</b>
<b>Non-current assets</b>		
Property, plant and equipment	126	154
Intangible assets	742	1,020
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>868</b>	<b>1,174</b>
	<hr/>	<hr/>
<b>Total assets</b>	<b>1,678</b>	<b>2,525</b>
<b>Current liabilities</b>		
Payables	1,089	1,462
Revenue from subscription services received in advance	2,197	2,276
Interest-bearing liabilities	1,216	286
Provisions	104	141
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>4,606</b>	<b>4,165</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities	1,459	2,414
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>1,459</b>	<b>2,414</b>
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>6,065</b>	<b>6,579</b>
<b>Net liabilities</b>		
	<hr/>	<hr/>
	<b>(4,387)</b>	<b>(4,054)</b>
<b>Equity</b>		
Contributed equity	7 24,303	24,303
Accumulated losses	(28,675)	(28,342)
Reserves	(15)	(15)
	<hr/>	<hr/>
	<b>(4,387)</b>	<b>(4,054)</b>
	<hr/>	<hr/>

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 8 to 13.

# PocketMail Group Limited and its Controlled Entities

## Statements of cash flows

For the Half-Year Ended 31 December 2004

	Consolidated Half Year	
	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	3,284	4,503
Cash payments in the course of operations	(3,147)	(4,380)
Interest received	1	1
Borrowing costs paid	(27)	(153)
<b>Net cash (used in) operating activities</b>	<b>111</b>	<b>(29)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(19)	(37)
<b>Net cash (used in) investing activities</b>	<b>(19)</b>	<b>(37)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings:		
- Other	(132)	(83)
Finance lease payments	(4)	(48)
<b>Net cash (used in) financing activities</b>	<b>(136)</b>	<b>(131)</b>
<b>Net (decrease) in cash held</b>	<b>(44)</b>	<b>(197)</b>
<b>Cash at the beginning of the financial year</b>	152	431
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	(18)	(48)
<b>Cash at the end of the financial year</b>	<b>90</b>	<b>186</b>

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 8 to 13.

# PocketMail Group Limited and its Controlled Entities

## Notes to Financial Statements

*For the Half-Year Ended 31 December 2004*

### **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**

This general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Australian Accounting Standard 1029: Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report has also been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The concept of accrual accounting has been adopted in the preparation of the interim financial report.

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by PocketMail Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Unless otherwise stated, the accounting policies adopted are consistent with those applied in the 30 June 2004 annual report.

#### **(b) Going Concern**

The entity's existence as a going concern is dependent upon its ability to generate sufficient positive net cash-flows during the period ending 31 December 2005 and the continued financial support of its major shareholder, Bindera Pty Ltd, who at the 31 December 2004 had provided loans to the company amounting to \$2,627,872 (June 2004: \$ 2,506,734). Bindera Pty Ltd have confirmed that they will not seek repayment of the loan in the next 12 months unless PocketMail Group Ltd can do so in the normal course of operations.

In the event that the entity does not achieve the objectives outlined in the paragraph above, the entity may not be able to realise its net 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.

# PocketMail Group Limited and its Controlled Entities

## Notes to Financial Statements

*For the Half-Year Ended 31 December 2004*

### 1 Statement of significant accounting policies (Continued)

#### (c) 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 Executive Officer ("CEO"). This will include training of staff and system and other changes required to produce the required financial information. The CEO 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 consolidated entity does not currently recognise an expense for options issued to staff. On adoption of Australian equivalents to IFRS's, the consolidated entity 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 accumulated losses 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 consolidated entity'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 consolidated entity 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 accumulated losses at 1 July 2004. Considering the significant losses carried forward for the consolidated entity from previous years, the revised approach is not expected to have an impact on earnings or net liabilities at transition.

#### ***Translation of foreign subsidiaries***

Currently the consolidated entity translates the accounts of foreign subsidiaries using the temporal method for integrated operations. Australian equivalents to IFRS's 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.

# PocketMail Group Limited and its Controlled Entities

## Notes to Financial Statements

*For the Half-Year Ended 31 December 2004*

### 1 Statement of significant accounting policies (Continued)

#### (c) Impact of the adoption of International Financial Reporting Standards (Continued)

##### *Presentation currency*

The consolidated entity is currently required to present the financial statements in Australian currency. Under Australian equivalents to IFRS's the group may select a presentation currency other than Australian currency.

##### *Related party loans*

At 30 June 2004, the consolidated entity is in receipt of interest-bearing funding from a related party and this balance is measured as the capital outstanding at that date. Under Australian equivalents to IFRS's, 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 accumulated losses.

##### *Impairment of Assets*

The consolidated entity 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 IFRS's, 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 cash flows). 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.

### 2 Fundamental Error

At 30 June 2003 and in accordance with AASB 1012 Foreign Currency Translation, PocketMail adopted the temporal method of translating the results and balances of the US subsidiary as the subsidiary was deemed to be integrated into the Australian activities.

The Temporal method requires all non-monetary items (e.g. goodwill, fixed assets, and deferred revenue liabilities) to be translated at their historic rate (as opposed to the closing rate).

When the change to the temporal method is adopted, the historic rate of non-monetary items is deemed to be the closing rate at the end of the reporting period ending 30 June 2002.

However in the case of deferred revenue liabilities, which largely arises from annual subscriptions paid for in advance, the historical rate is not the rate as at 30 June 2002 but the date at which the subscription was received.

The effect of using the rate at 30 June 2002, instead of the actual rate was to understate income by \$178,200 in the year ended 30 June 2003. This had the corresponding effect of overstating the income reported in the half-year ending 31 December 2003 by \$67,853. The half-year ending 31 December 2004 is correctly stated.

# PocketMail Group Limited and its Controlled Entities

## Notes to Financial Statements

For the Half-Year Ended 31 December 2004

### 3 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.

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.

	Australia \$'000	North America \$'000	Unallocated \$'000	Eliminations \$'000	Consolidated \$'000
Primary reporting geographical segments					
<b>Half Year ended 31 December 2004</b>					
<b>Revenue</b>					
External segment revenue	404	2,731	-	-	3,135
Internal segment revenue	865	-	-	(865)	-
<b>Total Revenue</b>	<b>1,269</b>	<b>2,731</b>		<b>(865)</b>	<b>3,135</b>
<b>Segment result</b>	<b>683</b>	<b>(448)</b>	-	<b>(355)</b>	<b>(120)</b>
Net Interest Expense					(213)
Profit from ordinary activities before Income tax					(333)
Income tax expense					-
Profit From Ordinary Activities after Income tax					(333)
<b>Half Year ended 31 December 2003</b>					
<b>Revenue</b>					
External segment revenue	455	4,670	-	-	5,125
Internal segment revenue	924	-	-	(924)	-
<b>Total Revenue</b>	<b>1,379</b>	<b>4,670</b>	-	<b>(924)</b>	<b>5,125</b>
<b>Segment result</b>	<b>716</b>	<b>697</b>	<b>(158)</b>	<b>(365)</b>	<b>890</b>
Net Interest Expense					(103)
Profit from ordinary activities before Income tax					787
Income tax expense					-
Profit From Ordinary Activities after Income tax					787

# PocketMail Group Limited and its Controlled Entities

## Notes to Financial Statements

For the Half-Year Ended 31 December 2004

### 4 Individually significant items included in (loss) profit from ordinary activities before income tax expense

	Consolidated Half Year	
	2004 \$'000	2003 \$'000
<b>Revenue from service includes:</b>		
Revenue from use of PocketMail technology	28	837
	<b>28</b>	<b>837</b>
<b>Other revenue Includes:</b>		
Debt forgiven	-	66
Other	72	-
	<b>72</b>	<b>66</b>

### 5 Dividends

The Directors do not recommend a dividend for the half-year ended 31 December 2004. No dividend was paid for the Half Year ended 31 December 2003.

### 6 Seasonal trends

Devices Sales in the United States segment which includes the recreational vehicle market tend to be seasonal, with unit sales increasing over the Northern hemisphere winter months from the early December.

Subscription revenues are recognised over the life of each contract and do not exhibit any seasonal variance.

### 7 Equity securities

	Consolidated Half Year		Consolidated Half Year	
	2004 Shares	2003 Shares	2004 \$'000	2003 \$'000
<b>Share Capital at beginning of half year</b>	481,623,312	479,623,312	24,302,971	24,252,971
Private placement of shares to raise working capital	-	2,000,000	-	50,000
<b>Share Capital at the end of half year</b>	<b>481,623,312</b>	<b>481,623,312</b>	<b>24,302,971</b>	<b>24,302,971</b>

# PocketMail Group Limited and its Controlled Entities

## Notes to Financial Statements

*For the Half-Year Ended 31 December 2004*

### 8 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. These share were issued in October 2003.

### 9 Events subsequent to balance date

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

	<b>Consolidated Half Year</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>10 Earnings per share</b>		
Net Profit for the period (used as the numerator)	\$ (332,942)	\$ 780,666
Weighted average number of ordinary shares (used as the denominator)	481,623,312	480,450,709
(Loss) Profit per share	\$(0.001)	\$0.002

### 11 Rounding of Amounts

The company satisfies the requirements of Class Order 98/0100 issued by the Australian Investments and Securities Commission relating to "rounding off" of amounts in the directors' report and the financial report to the nearest thousand dollars. Amounts have been rounded off in the directors' report and financial report in accordance with that Class Order.

# PocketMail Group Limited and its Controlled Entities

## Notes to Financial Statements

*For the Half-Year Ended 31 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 5 to 13, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance, as represented by the results of its operations and its 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 consolidated entity will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 28<sup>th</sup> day of February 2005

Signed in accordance with a resolution of the directors:



D Marchant  
**Executive Director**

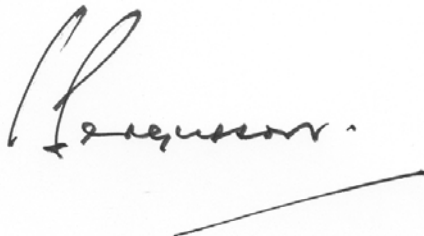
**DECLARATION OF INDEPENDENCE BY IAN FERGUSSON  
TO THE DIRECTORS OF POCKETMAIL GROUP LIMITED**

To the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of this Act in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



**BDO**  
Chartered Accountants



**I K Fergusson**  
Partner

Dated at Sydney, this 28th day of February 2005

**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF POCKETMAIL GROUP LIMITED**

**Scope**

We have reviewed the financial report comprising the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying notes and Directors' Declaration of PocketMail Group Limited for the half-year ended 31 December 2004. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the disclosing entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australia Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an opinion.

**Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of PocketMail Group Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the disclosing entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory 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.

The financial report of PocketMail Group Limited has been prepared assuming that the company will continue as a going concern. As stated in Note 1(b) in the financial report and having regard to the extent of the entity's excess of liabilities over assets at the reporting date, the ongoing viability of the entity is dependent on the support of its major shareholder, who at the 31 December 2004 has provided loans to the entity amounting to \$2,627,872 (30 June 2003: \$2,506,734).

In the event the entity were unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those currently stated in the financial report.

**BDO**

Chartered Accountants

**I K Fergusson**

Partner

Signed at Sydney, this 28<sup>th</sup> day of February, 2005

**HALF-YEAR INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.2A**

**Name of entity**

**PocketMail Group Limited**

**ABN or equivalent reference #**

**96 008 719 015**

**Reporting period**

*Half-year ended 31 December 2004*

**Previous corresponding period**

*Half-year ended 31 December 2003*

*The information contained in this report should be read in conjunction with the most recent annual financial report.*

**Contents**

**Item**

Results for announcement to the market  
Net tangible assets per ordinary share  
Accounting Standards  
Audit Disputes or Qualifications

1.  
2.  
3.  
4.

## 1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	down	<b>39 %</b>	to \$	<b>3,135,050</b>
Profit from ordinary activities after income tax attributable to members	down	<b>142 %</b>	to \$	<b>-332,942</b>
Net profit for the period attributable to members	down	<b>142 %</b>	to \$	<b>-332,942</b>

### Dividends per Share

	Amount per share	Franked amount per share at 30% tax
Final	Nil	Nil
Interim	Nil	Nil

The directors do not recommend a dividend for the half-year ended 31 December 2004. No dividend was paid for the half-year ended 31 December 2003.

Current Period	Previous corresponding period
(\$0.011)	(\$0.010)

**2. NET TANGIBLE ASSETS PER ORDINARY SHARE  
(NTA backing)**

**3 ACCOUNTING STANDARDS**

AASB 1029: *Interim Financial Report* have been used in compiling the information contained in this Appendix 4D.

**4 AUDIT DISPUTES OR QUALIFICATIONS**

**a) 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 entity's existence as a going concern is dependent upon its ability to generate sufficient positive net cash-flows during the period ending 31 December 2005 and the continued financial support of its major shareholder, Bindera Pty Ltd, who at the 31 December 2004 had provided loans to the company amounting to \$2,627,872 (June 2004: \$ 2,506,734). Bindera Pty Ltd have confirmed that they will not seek repayment of the loan in the next 12 months unless PocketMail Group Ltd can do so in the normal course of operations.

If the 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.