POCKETMAIL GROUP LIMITED

ABN 96 008 719 015

HALF YEAR REPORT

31 DECEMBER 2005

This financial report covers the consolidated entity consisting of Pocketmail Group Limited and controlled entities.

This Interim Financial Report should be read in conjunction with the company's annual report for the period ended 30 June 2005.

INDEX	PAGE
Corporate Directory	3
Directors' Report	4
Auditors' Independence Declaration	7
Income Statement	8
Balance Sheet	9
Cash Flow Statement	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12
Directors' Declaration	22

CORPORATE DIRECTORY

Directors
Richard Poole (Chairman)
Andrew Kelly
Mary Kelly

Secretary
David Macarthur

Registered Office
Level 14
14-19 Bent Street
SYDNEY NSW 2000

Telephone +(612) 8257-6500
Facsimile +(612) 8257-6501

Share Registry
Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000

Auditor
Robert Nielson Partners
Level 7, 280 George St
Sydney NSW 2000

Stock Exchange
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

ASX Code
PKT (fully paid ordinary shares)

DIRECTORS' REPORT

The directors of Pocketmail Group Limited submit herewith the financial report for the half year ended 31 December 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the directors of the company during or since the end of the half year and up to the date of this report are:

Mr RJ Poole (Chairman)	Appointed 16th February 2006
Mr A Kelly	
Mrs Mary Kelly	Appointed 17th November 2005
Mr David Marchant	Resigned 20th February 2006
Mr Robert Hodges	Resigned 15th August 2005

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activity

The principal activity of the Company during the financial year was the sale and marketing of Pocketmail mobile E-mail devices and the provision of the Pocketmail mobile e-mail service. There were no significant changes in the nature of the activities during the course of the half year.

Dividends

No dividends were paid or declared for payment during the financial year.

Review of Operations

The net profit from ordinary activities after income tax for the half year ended 31 December 2005 was $223K (December 2004 loss: $333K).

The loss from ordinary activities before income tax expense includes the following revenues whose disclosure is relevant in explaining the financial performance of the entity:

	Half Year Ended 31 Dec 2005 $000's	Half Year Ended 31 Dec 2004 $000's
Revenues from ordinary Activities		
Revenue from services	2,162	3,035
Revenue from use of Pocketmail Technology	3	28
Other revenue from ordinary activities	1	72
Total revenue	2,165	3,135

The reduction in revenues reflects the continued decline in the customer base of the Pocketmail technology in both Australia and the US, and the corresponding subscriber revenues applicable to that customer base.

During the half year, there was a profit of $223K (December 2004 loss of $333K). This has resulted from the following factors:

- Continued decline in the cost base of the group, and the decline in revenues
- Reduction in fair value of subsidiary assets and liabilities as a result of the placing in administration of Pocketmail Australia Pty Limited (refer comment below).

The result for the half-year is in line with management and Board expectations.

Earnings per Share

	2005 Cents	2004 Cents
Basic earnings per share	$0.001	$(0.001)
Diluted earnings per share	$0.001	$(0.001)

All options currently on issue are "out-of-the-money" and are not considered dilutive. They are therefore excluded from the calculation of the diluted earnings per share.

Significant changes in the states of affairs

Except for the matters discussed above, there were no significant changes in the state of affairs of the consolidated entity during the half year.

After balance date events

Since the end of the half year, the following matters have taken place:

EGM held 16th February 2006:

- Approval of consolidation of capital – every twenty shares to be consolidated into 1, and every 20 options to be consolidated into 1
- Approval to sell certain wholly owned subsidiary companies
- Approval of a rights issue to raise $1,384,281
- Issue of convertible notes with a total face value of $150,000
- To make a placement of shares of 50,000,000 at an issue price of $0.01.

Pocketmail Australia Pty Limited

On 2nd March 2006, Pocketmail Australia Pty Limited, a 100% wholly owned subsidiary of Pocketmail Group Limited was placed into voluntary administration. On the same date, Pocketmail Inc has acquired the business run by Pocketmail Australia Pty Limited, and has agreed to take over certain liabilities for staff, and liabilities in respect of deferred subscriber revenues of Pocketmail Australia Pty Limited.

No other matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Future Developments

The Board is currently reviewing investment options and opportunities regarding the future of the Company and will revert to shareholders in this regard at an appropriate time.

Audit and non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.
The board of directors have considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditors own work, acting in a management or decision making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Audit and non-audit services (continued)

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on Page 7.

Auditor

The auditor continues in office in accordance with Section 327 of the Corporations Act 2001.

Signed in accordance with a resolution of directors.

On behalf of the Directors

RJ Poole
Chairman
Sydney,
24th March 2006

AUDITORS INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF POCKETMAIL GROUP LIMITED

I declare that to the best of my knowledge and belief, during the half year ended 31 December 2005 there have been:

1. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

2. no contraventions of any applicable code of professional conduct in relation to the audit

Robert Nielson Partners

Robert Nielson
Level 7 280 George Street
Sydney NSW 2000

Date : 24/3/2006

POCKETMAIL GROUP LIMITED

INCOME STATEMENT

for the half year ended 31 December 2005

	Note	Consolidated 31 Dec 2005 $'000's	Consolidated 31 Dec 2004 $'000's
Revenue from the sale of goods		239	301
Revenue from the provision of services		1,923	2,734
Revenue from use of Pocketmail technology		3	28
Other revenue from ordinary activities		1	72
Total Revenue		2,166	3,135
Advertising		111	87
Borrowing cost		329	213
Cost of Goods Sold		273	376
Depreciation and amortization expense		24	325
Employment Expense		1,105	1,390
Insurance		63	48
Legal		10	7
Merchant fees		81	124
Other expenses from ordinary activities		173	211
Premises		93	181
Telecommunication expenses		319	438
Travel		24	68
Adjustment to fair value		(662)	-
Total expenses		1,943	3,468
Profit / (Loss) from ordinary activities before income tax expense		223	(333)
Income tax expense relating to ordinary activities		-	-
Profit / (Net Loss) from ordinary activities after related income tax		223	(333)
Earnings Per Share:			
Basic (cents per share)	3	0.001	(0.001)
Diluted (cents per share)	3	0.001	(0.001)

POCKETMAIL GROUP LIMITED

BALANCE SHEET

as at 31 December 2005

	Note	Consolidated 31 Dec 2005 $'000's	Consolidated 30 June 2005 $'000's
CURRENT ASSETS			
Cash assets		65	39
Receivables		164	225
Inventories		48	276
Other		154	157
TOTAL CURRENT ASSETS		431	697
NON-CURRENT ASSETS			
Property, plant and equipment		55	92
Intangibles		-	-
TOTAL NON-CURRENT ASSETS		55	92
TOTAL ASSETS		486	789
CURRENT LIABILITIES			
Payables		356	1,045
Revenues from subscription services received in advance		1,744	1,731
Interest-bearing liabilities		3,184	2,805
Provisions		44	114
TOTAL CURRENT LIABILITIES		5,328	5,695
NON-CURRENT LIABILITIES			
Interest-bearing liabilities		-	193
TOTAL NON-CURRENT LIABILITIES		-	193
TOTAL LIABILITIES		5,328	5,888
NET ASSETS		(4,842)	(5,099)
EQUITY			
Contributed equity	4	24,339	24,303
Retained profits		(29,164)	(29,386)
Reserves		(17)	(15)
TOTAL EQUITY		(4,842)	(5,099)

CASH FLOW STATEMENT

for the half year ended 31 December 2005

	Note	Consolidated 31 Dec 2005 $'000's	Consolidated 31 Dec 2004 $'000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,373	3,284
Payments to suppliers and employees		(2,382)	(3,147)
Interest received		1	1
Income taxes paid		-	(27)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(8)	111
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(19)
NET CASH FLOWS FROM INVESTING ACTIVITIES		-	(19)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity securities		36	-
Payment for share issue costs		-	-
Repayment of borrowings		-	(132)
Finance lease payments		-	(4)
NET CASH FLOWS FROM FINANCING ACTIVITIES		36	(136)
NET INCREASE/(DECREASE) IN CASH ASSETS HELD		28	(44)
Cash assets at the beginning of the half year		39	152
Effects of exchange rate fluctuations on the balances of cash Held in foreign currencies		(2)	(18)
CASH ASSETS AT THE END OF THE HALF YEAR		65	90

STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2005

	Note	Share Capital $	Retained Profits $	Options Reserves $	Total $
Balance at 1 July 2004		24,303	(28,342)	(15)	(4,054)
Loss attributable to members of the entity		-	(333)	-	(333)
Balance at 31 December 2004		24,303	(28,675)	(15)	(4,387)
Balance at 1 July 2005		24,303	(29,386)	(15)	(5,099)
Profit (Loss) attributable to members of the entity			222	(2)	220
Proceeds on issue of shares		36	-	-	36
Balance at 31 December 2005		24,339	(29,164)	(17)	(4,843)

1. Basis of Preparation

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with AIFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is discussed in note 8. The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 31 December 2005, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 8), the consolidated entity's date of transition, except for the accounting policies in respect of financial instruments. The consolidated entity has not restated comparative information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information are consistent with those adopted and disclosed in the lodged 2005 annual financial report.

There has been no material impact of changes in these accounting policies.

The financial report covers Pocketmail Group Limited and its controlled entities. Pocketmail Group Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Principles of consolidation

A controlled entity is any entity controlled by Pocketmail Group Limited. Control exists where Pocketmail Group Limited has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Pocketmail Group Limited to achieve the objectives of Pocketmail Group Limited.

All inter-company balances and transactions between entities in the economic entity, including any unrealized profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Going Concern

In the notice to the Extraordinary General Meeting held on 16th February 2006, it was explained (and approved) that the Company be restructured, and undergo capital raising. A number of items received approval, including the following:

- Rights issue to raise $1,384,281
- Issue a convertible note in the amount of $150,000
- Make a placement of 50,000,000 shares at an issue price of $0.01 per share to raise $500,000
- Dispose of its wholly owned subsidiaries. As part of the transfer, this will include a transfer of the loans owing by the Company to Bindera Pty Limited and a company associated with Mr Andrew Kelly (other than an amount of $555,000, which will be repaid to Bindera Pty Limited and a company associated with Mr Kelly out of the proceeds of the capital raising.

In the event that the consolidated entity does not achieve the objectives outlined above, 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 realize the carrying value of intangibles and associated plant and equipment in the normal course of business or alternatively from sale.

(c) Revenue recognition

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 in 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
Export market grants are recognised as revenue at the time the grant is received. Grants are received after the related costs have been expensed and paid for.

Revenue from contract
Revenues from the contract for use of PocketMail technology with the United States Government were recognized in the periods when economic benefit was transferred and when services were performed. Revenue recognition under the contract closely matched the cash receipts under the contract in the financial year.

(d) 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.

(e) Foreign Currency Transactions

Functional and Presentation Currencies
The functional currency of each of the group's is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional; and presentation currency.

Transactions and Balances
Foreign currency transactions are translated in to functional currency using the exchange prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Group Companies
The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:-

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognized in the income statement in the period in the period in which the operation is disposed.

(f) 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 are 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.

1. Basis of Preparation (cont)

(g) Income Tax

Current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(h) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date basis, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below

Financial assets at fair value through profit and loss

A financial instrument is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at cost using the effective interest rate method.

Held-to-Maturity Investments

These investments have fixed maturities and it is the company's intention to hold these investments to maturity. Any held-to-maturity investments held by the company are stated at amortised cost using the effective interest rate method.

Available-for-Sale Financial Instruments

Available-for-sale financial instruments include any financial assets not included in the above categories. Available-for-sale financial instruments are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

1. Basis of Preparation (cont)

Financial Liabilities

Non-derivative financial instruments are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the value of all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(i) Impairment

At each reporting date, the company the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

(j) 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 (f).

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. 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 will flow to the consolidated entity in future years.

Costs that do not meet the criteria for capitalisation are expensed as incurred.

(k) Revisions of accounting estimates

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

(l) Receivables

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

(m) Inventories

Inventories are carried at the lower of cost and net realisable value. Costs are allocated on a first in first out basis.

(o) Investments

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

(p) 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

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.

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.

(q) Depreciation and amortisation

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. Goodwill balances are reviewed annually and any balance representing future benefits for which the realization is considered to be no longer probable are written off.

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 amortization are expensed.

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

	2005	2004
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

(r) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received.

(s) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date.

(t) 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.

(u) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities in the balance sheet.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to be have been issued for no consideration in relation to dilutive potential ordinary shares.

2. PROFIT FROM ORDINARY ACTIVITIES

	Consol 31 Dec 2005 $'000's	Consol 31 Dec 2004 $'000's
Profit from ordinary activities before income tax has been determined after:		
Gain on restatement of liabilities of Pocket Mail Australia Pty Limited to fair value (Refer Note 9)	662	-
Depreciation and amortisation	(24)	(325)

3. ISSUE OF SECURITIES

	Consol 31 Dec 2005 $	Consol 31 Dec 2004 $
Fully paid ordinary shares	24,338,971	24,302,971
	No	No
Ordinary Shares		
Opening Balance as at 30 June	481,712,653	481,623,312
Issued 1 December 2005	72,000,000	-
Closing Balance	553,712,653	481,623,312

Other

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

There were no options issued during the half year ended 31 December 2005.

Employee share scheme

There is no employee share or option scheme at present.

4. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There are no contingent liabilities or contingent assets of the company at 31 December 2005.

5. DIVIDENDS

No dividends have been declared or paid during the half year ended 31 December 2005 or in the prior period, and the directors do not recommend the payment of a dividend in respect of the half year ended 31 December 2005.

6. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated entity has elected not to restate comparative information for financial instruments within the scope of Accounting Standards AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement', as permitted on the first-time adoption of A-IFRS.

There were no material adjustments to retained earnings as a result of the adoption of A-IFRS.

7. SEGMENT REPORTING

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's	North America $'000's	Eliminations $'000's	Consolidated $'000's
Primary reporting geographical segments				
Half year ended 31 December 2005				
Revenue				
External Segment Revenue	271	1,895	-	2,166
Internal Segment Revenue	695	-	(695)	-
Total Revenue	**966**	**1,895**	**(695)**	**2,166**
Segment result	**650**	**(98)**	-	**552**
Net Interest Expense				(329)
Profit from ordinary activities before income tax				223
Income tax				-
Profit from ordinary activities after income tax				223
Half year ended 31 December 2004				
Revenue				
External Segment Revenue	404	2,731	-	3,135
Internal Segment Revenue	865	-	(865)	-
Total Revenue	**1,269**	**2,731**	**(865)**	**3,135**
Segment result	**683**	**(448)**	**(355)**	**(120)**
Net Interest Expense				(213)
Profit from ordinary activities before income tax				(333)
Income tax				-
Profit from ordinary activities after income tax				(333)

8. ROUNDING OF AMOUNTS

The Company satisfies the requirements of class order 98/0100 issued by the Australian Securities and Investments 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.

9. SUBSEQUENT EVENTS

Since the end of the half year, the following matters have taken place:

At an Extraordinary General meeting held 16th February 2006 the following resolutions were passed:

- Approval of consolidation of capital – every twenty shares to be consolidated into 1, and every 20 options to be consolidated into 1
- Approval to sell certain wholly owned subsidiary companies
- Approval of a rights issue to raise $1,384,281
- Issue of convertible notes with a total face value of $150,000
- To make a placement of shares of 50,000,000 at an issue price of $0.01.

As at the date of this report the sale of certain wholly owned subsidiary companies had not taken place.

Pocketmail Australia Pty Limited

On 2nd March 2006, Pocketmail Australia Pty Limited, a 100% wholly owned subsidiary of Pocketmail Group Limited was placed into voluntary administration. On the same date, Pocketmail Inc has acquired the business run by Pocketmail Australia Pty Limited, and has agreed to take over certain liabilities for staff, and liabilities in respect of deferred subscriber revenues of Pocketmail Australia Pty Limited.

As a consequence the group is not expected to be required to meet certain liabilities of Pocketmail Australia Pty Limited as at 2 March 2006. These amounts have been written back to the income statement as a fair value adjustment.

POCKETMAIL GROUP LIMITED

DIRECTORS' DECLARATION

for the half year ended 31 December 2005

The directors declare that:

(a) the attached financial statements and notes thereto comply with Accounting Standards;

(b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company;

In the directors' opinion:

(a) the attached financial statements and the notes thereto are in accordance with the Corporations Act 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.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

RJ Poole
Chairman

Sydney, 24th March 2006

POCKETMAIL GROUP LIMITED

INDEPENDENT REVIEW REPORT

to the members of Pocketmail Group Limited

Scope

We have reviewed the financial report of Pocketmail Group Limited for the half-year ended 31 December 2005 as set out on pages 4 to 21. The company'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 134: Interim Financial Reporting 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 financial position, and performance as represented by the results of its operations and cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investment Commission/ Australian Stock Exchange Limited.

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

Independence

In conducting our review we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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 company's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: 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

Attention is drawn to the following matter.

The financial report of the consolidated entity has been prepared on the basis that the entity will continue as a going concern. As stated in Note 1(b) the on-going viability of the consolidated entity is dependent on the successful completion of the capital raising transactions referred to in the Note.

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

Robert Nielson

Robert Nielson Partners
Level 7 280 George Street
SYDNEY NSW

Dated : 24/3/2006

APPENDIX 4D

FULL REPORT TO THE AUSTRALIAN STOCK EXCHANGE

Name of Entity	Pocketmail Group Limited
ABN	96 008 719 015
Half year ended	31 December 2005
Previous corresponding period	31 December 2004

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$
Revenue from ordinary activities	Down	30.9%	To	2,166,139
Profit from ordinary activities after tax attributable to members	Up	166%	To	222,576
Net profit for the period attributable to members	Up	166%	To	222,576

No interim dividend was paid and it is not proposed to pay any dividends.

Explanation of Revenue

The Loss from ordinary activities before income tax expense includes the following revenues whose disclosure is relevant in explaining the financial performance of the entity:

	Half Year Ended 31 December 2005 $	Half Year Ended 31 December 2004 $
Revenues from ordinary Activities	2,166,139	3,135,050

Explanation of Net Loss

During the half year, there was a profit of $222,576 (December 2004 loss of $332,942). This has resulted from the following factors:

- Continued decline in the cost base of the group, and the decline in revenues
- Reduction in fair value of subsidiary assets and liabilities as a result of the placing into administration of Pocketmail Australia Pty Limited (refer comment below).

The result for the half-year is in line with management and Board expectations.

	Current Period	Previous Corresponding Period
Net tangible assets per ordinary security	$0.001	$(0.001)

Other matters

On 2nd March 2006, Pocketmail Australia Pty Limited, a 100% wholly owned subsidiary of Pocketmail Group Limited was placed into voluntary administration. On the same date, Pocketmail Inc has acquired the business run by Pocketmail Australia Pty Limited, and has agreed to take over certain liabilities for staff, and liabilities in respect of deferred subscriber revenues of Pocketmail Australia Pty Limited.

There have been no entities over which control has been gained or lost during the period.