

Directors' Report

PocketMail Group Limited and its Controlled Entities

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

Directors

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

Name and qualifications

Chris Coudounaris B Comm (Hons), LLB
Chairman
Chairman of Audit Committee
Non Executive Director

Andrew Kelly
Non Executive Director
Member of Audit Committee
Appointed 27 September 2002

David Marchant BA (Hons) Business Studies
Chief Executive Officer

Robert Hodges B Bus Economics and Marketing,
RMIT, Melbourne
Non Executive Director
Member of the Audit Committee
Appointed 18 March 2003

Experience and special responsibilities

Chris Coudounaris was formally a partner of the international law firm Gadens Lawyers, practicing in the corporate and commercial division of the firm.

He was a director of the policy and advisory firm, Keating Associates, and is currently a director of Strathfield Group Limited and Lake Technology Limited, a digital signal processing company.

Andrew Kelly founded Strathfield Car Radios in 1980. It was floated on the ASX in 1998 and today he is the single biggest shareholder exceeding 59%.

He has managed and developed the company since its inception.

He is currently a non-executive director of Strathfield Group Limited and a director of Kelly Group Holdings Pty Limited.

Prior to his appointment as Chief Executive Officer of PocketMail Group Limited, David was CEO of United Customer Management Solutions ("UCMS"). David led UCMS through its evolution from a loss making start-up organisation to a highly profitable company recognized as a leader in customer management solutions within Australia.

Robert Hodges has over 17 years experience in the telecommunications industry and has filled senior sales and marketing roles with Telstra, the Strathfield Group, SingTel Optus, Vodafone and Motorola. He is currently Business Development Manager for Kelly Group Holdings Pty Limited.

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Directors (cont)

Name and qualifications

Neil Lewis

Non-executive Director
Resigned 18 July 2002

Experience and special responsibilities

Neil Lewis began his career in the financial services sector before founding and developing the Australian operations of Babcock & Brown Pty Limited into one of the most progressive specialist merchant banking firms. He was also a founding Principal and Joint Managing Director of Meridian International Capital Limited - a highly regarded specialist merchant banking firm.

In addition, Neil is a director of the Christian Broadcasting Association Limited.

Stace Vallianos BCom member CPA (Aus)

Non-executive Director
Appointed 18 July 2002
Resigned 27 September 2002

Stace Vallianos is currently Financial Controller, Kelly Group Holdings Pty Limited, a group of private companies covering property development, strategic investments and retail.

Directors' meetings

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

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

A – Number of meetings attended

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

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Principal activities

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

Review and results of operations

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

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

Dividends

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

Environmental regulation

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

Significant changes in the state of affairs

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

Events subsequent to balance date

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

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

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Likely developments

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

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

Directors' and senior executives' emoluments

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

	Base emolument	Expatriate allowances & costs	Super contributions	Options over ordinary shares (A)	Total
Directors	\$	\$	\$	\$	\$
Non-executive					
Neil Lewis	1,250	-	-	-	1,250
Chris Coudounaris	40,000	-	-	-	40,000
Robert Hodges	8,500	-	-	-	8,500
Executive					
David Marchant	208,254	298,188	10,519	67,083	584,044
<p>In September 2002 David Marchant moved to the United States with his family in order to manage the Company's operations in San Jose, California. In addition to his base salary which is paid in Australian dollars, the company provides accommodation, motor vehicles and an expatriate allowance paid in US dollars. These benefits reflect the higher cost of living in the United States.</p> <p>A - The estimated value disclosed above is calculated at the date of grant using a Black-Scholes model applying a 130% volatility factor. Options held by David Marchant and assigned a value in the year ended 30 June 2003 were issued in January 2000. They expire in December 2004 and have an exercise price of 40 cents.</p>					
Executive officers (excluding directors)					
David Shearer	192,366	-	8,643	-	201,009
Richard Shaw	157,510	-	10,684	-	168,194
Dean Hanson	123,422	-	18,229	-	141,651
<p>"Executive Officers" are officers who are involved in, or who take part in, the management of the affairs of PocketMail Group Limited and/or related bodies corporate. Remuneration for overseas based employees has been translated to Australian dollars at the average exchange rate for the year.</p>					

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Options

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

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

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

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

Directors' interests

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

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

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Indemnification and insurance of directors and officers

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

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

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

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

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

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

Dated at Sydney this 30 day of September 2003

Signed in accordance with a resolution of the directors:



D Marchant
Executive Director