

e-pay·asia

(Stock code: EPY)

e-pay Asia Limited

AND ITS CONTROLLED ENTITIES

ABN 99 089 227 887



General Purpose Financial Report at 31 December 2008
Together with Directors' and Independent Auditor's Reports

Annual Report 2008

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Company Directory

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Directors

Jack Tan - Non-Executive Chairman
Simon Loh – Chief Executive Officer
Chih Ming Yap – Chief Financial Officer
Rodney James Huey - Non-Executive Director

Company Secretary

Robert Lees

Registered Office

e-pay Asia Limited
Suite 2402, Level 24, St Martins Tower,
31 Market Street, Sydney NSW 2000 Australia
Tel: +612 9283 8835
Fax: +612 9283 2955
Website: www.epay-asia.com

Regional Headquarters

No. 16-18, Jalan PJS11/28A, Bandar Sunway
46150 Petaling Jaya, Selangor, Malaysia.
Tel: +603 5632 2488
Fax: +603 5637 3666

Australian Share Register

Computershare Investor Services
Level 3, 60 Carrington Street
Sydney NSW 2000
Tel: +612 8234 5000

Auditors

Hall Chadwick

Stock Exchange Listings

e-pay Asia Limited shares are quoted on the
Australian Stock Exchange.

Stock Code

ASX: EPY

Chairman's Statement

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The period under review has been a challenging year overall for your company with the gloomy global economy conditions. Management attentions were focused on driving the core market business in Malaysia in tandem with cost control measures. No expansion decision was made in 2008 as the business risks are relatively higher with uncertain economy conditions.

For Malaysian market, the Company continues to enjoy a dominant position. However, a slowdown in market had affected the revenues which we saw 12% reduction to \$9.9m (2007: \$11.3m). The Company continuously strengthens its market position by deploying terminals across Malaysia in prominent retail outlets as well as rural areas. The wide terminal coverage would benefit the Company with new products launching as well as capturing revenues immediately as the market recovers. Physical cards remain the main competitor and the Company believes the conversion process to electronic is inevitable despite at a slower pace.

In term of international markets, our focus remains on the China market. Despite China's impressive GDP growth over the past decade, China is inevitably being affected by the current economy crisis. We are undergoing a feasibility study on China, that includes looking at changes to reduce business risks associate with the existing economy climate. A joint venture approach with a local presence is still the planned structure for the Company to penetrate this market.

On the capital and corporate structure, during the year the Company delisted its shares trading at the Alternate Investment Market (AIM) London. All shareholders from London share registers were transferred to the Australia Stock Exchange register. The Company, after shareholders approval on 14 January 2009, consolidated the number of shares on issued on the basis of 1 new share for every 10 old shares. This was thought to better reflect the value and market capitalisation of the Company. Both of these actions have cost savings on listing fees incurred by the Company. The underlying value of the business of the Company is unchanged by this share consolidation.

During the year, Mr Simon Loh was appointed as new Chief Executive Officer taking over from Mr Wong Yin Ching who was redesignated as Managing Director of the China operations. I took over chairmanship from Mr John Croft, who resigned in October 2008 after the Company delisted from AIM. These changes allow the board and management to streamline its focus in driving the Malaysia business and exploring the China market.

I would to take this opportunity to thank all of the Company's employees, business partners and associates for their significant contribution to the business during the year.



Jack Tan
Chairman

Directors' Report

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The Board of Directors has pleasure in submitting its report on the consolidated entity ("Group") consisting of e-pay Asia Limited ("Company") and the entities it controlled at the end of, or during, the financial year ended 31 December 2008.

Directors

The names and details of the directors of the parent company in office during the financial year and up until the date of this report are as follows. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Names

Jack Tan
(Non-Executive Chairman)

Qualifications, experience and special responsibilities

Jack Tan was appointed as a Director on 1 February 2007 and was redesignated as Non-Executive Chairman on 17 October 2008. He is also a member of the Company's audit committee and nomination committee. He has over 20 years experience as an Investment Advisor with leading stockbroking firms in Sydney. He is currently a Board Director of two Australian listed companies; Orocobre Limited and Vietnam Emerging Capital Ltd and is a director of a private investment company, Coin Equities Pty Ltd. Mr. Tan holds a Bachelor of Business Administration from University of Singapore, a Master of Applied Finance from Macquarie University and is a Fellow of the Financial Services Institute of Australasia (FINSIA). He is an Australian citizen and he resides in Sydney, Australia.

Simon Loh
(Chief Executive Officer)

Simon Loh was appointed as Managing Director in 23 December 2005, he relinquished the Managing Director position in July 2007 and became a Non-Executive Director. Mr Loh was appointed as Chief Executive Officer in 17 October 2008. Mr Loh has been selected as the winner for Ernst & Young Entrepreneur of The Year Malaysia 2006 Award under the Technology Category in December 2006. Mr. Loh is one of the founder members of e-pay (M) Sdn Bhd. Mr. Loh formed Telemas Corporation Sdn. Bhd. in 1989, a mobile phone retailer and master distributor for Ericsson. Mr. Loh is a Malaysian citizen carries Australian Permanent Resident status and is based in Kuala Lumpur.

Chih Ming Yap
(Chief Financial Officer)

Mr Yap, 37, joined e-pay (M) Sdn Bhd in 1999 as Head of the Finance Department. He was appointed Director of Finance of the Group in 2006 and was appointed to the Board as Chief Financial Officer on 31 July 2007. He is a Chartered Accountant with considerable experience in Merger and Acquisition and Joint Venture transactions both in Malaysia and offshore as well as in depth knowledge of South-East Asian accounting practices. He was previously Head of Accounts at Telemas Corporation Sdn. Bhd., a leading mobile phone distributor based in Malaysia. Mr. Yap has been an Associate member of the Chartered Institute of Management Accountants, United Kingdom, since 2000. He is a Malaysian citizen and resides in Kuala Lumpur.

Rodney James Huey
(Non-Executive Director)

Mr Rodney James Huey was appointed to the Board as a Non Executive Director on 1 November 2007. Mr James Huey has extensive financial services experience spanning 40 years primarily with Westpac Banking Corporation. He is a member of Australia China Business Council, Australia Fiji Business Council and the American Chamber of Commerce in Australia as well as a Trustee of the Committee for Economic Development of Australia (CEDA). He holds a B.Sc. (Honours-Financial Services) degree from the University of Manchester (UK) and is a Fellow of the Australian Institute of Company Directors and of the Financial Services Institute of Australasia. He is currently managing director of Ability Education Pty Ltd and also holds directorship positions within Paymate Pty Ltd, Resimac Limited, Chinasourcing Company Limited, Petroflow Solutions Pty Ltd, OzzyConnect Limited, Silverwood Corporation Pty Ltd and Advisory Board of Sabina Corporation Ltd. He is an Australian citizen and he resides in Sydney, Australia.

Directors' Report

e-pay asia annual report 2008

Names

Yin Ching Wong
(Chief Executive Officer)

(Resigned on
17 October 2008)

Qualifications, experience and special responsibilities

Mr Wong was appointed to the Board as Chief Executive Officer on 31 July 2007 having been previously appointed Group Chief Operating Officer. He joined e-pay (M) Sdn Bhd in 2002 and has played a key role in securing and maintaining corporate accounts and new business development. He has extensive experience in successfully devising and implementing new market strategies. Mr Wong was formerly General Manager of Ericsson Malaysia, where he was instrumental in securing the smooth transition from Ericsson to Sony Ericsson. He holds a BA (Hons) in Management Science from the University of Kent at Canterbury, United Kingdom. He is a Malaysian citizen and resides in Kuala Lumpur. Mr Wong resigned as Director on 17 October 2008.

Dato' Hassan
(Executive Director)

(Resigned on
21 February 2008)

Dato' Hassan is a Director of e-pay (M) Sdn Bhd, PT e-pay Indonesia and e-pay Pakistan. He has over 20 years' experience in the telecommunications industry and he was sales & marketing director for Telemas Corporation Sdn Bhd. He was previously employed by Scopetel Sdn Bhd and held various marketing roles at Caltex Malaysia Berhad, Sapura Group of Companies. He has a Bachelor of Business from Ohio University and MBA from the Asian Institute of Management, Philippines. He is a Malaysian citizen and resides in Malaysia. Dato' Hassan has been Director since 15 December 2006 until his resignation on 21 February 2008.

John Croft
(Non-Executive
Chairman)

(Resigned on
17 October 2008)

John Croft was appointed a director on 2 February 2005 and was redesignated as Non-Executive Chairman on 17 July 2007. He is a member of the Company's audit committee and remuneration committee. He has over 20 years of experience in technology companies and is a non-executive director of Future Route Limited, a predictive software technology company. He was formerly chief executive of Home Media Networks Limited, a software company that the Company acquired in 2005. Previously Mr. Croft was chairman and CEO of Streets Online Limited, an online retailer where he led a trade sale to Kingfisher plc. Prior to that, he also held various positions with Systems (UK) Limited, Racal Datacom Limited and NCR Corporation. Mr. Croft is a British citizen and resides in the United Kingdom. Mr Croft has been Director since 15 December 2006 until his resignation on 17 October 2008.

Company Secretaries

The names of each person who is a company secretary at the end of the financial year are:

Names

Robert Lees
(Appointed on
7th March 2008)

Qualifications, experience and special responsibilities

Robert Lees was appointed Company Secretary on 7 March 2008. He holds a Bachelor of Business (Accounting) degree from the University of Technology, Sydney and a Graduate Diploma in Corporate Governance. He is an Associate of the Institute of Chartered Accountants in Australia and Chartered Secretaries Australia. He has served as a Company Secretary on a number of ASX listed entities since 1998.

Daniela Mijajleska
(Resigned on
7th March 2008)

Prior to Mr Lees' appointment, Ms Daniela Mijajleska was appointed the Company Secretary of the Company between 18 October 2007 until 7 March 2008. Ms Mijajleska is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Wollongong.

Directors' Report

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Directors' Meetings

The number of meetings of directors (including committees of directors) and the attendances at the meetings during the financial year ended 31 December 2008 were:

Name	Directors' Meetings Held	Directors' Meeting Attended	Audit Committee Meetings Held	Audit Committee Meetings Attended
John Croft	10	10	2	2
Wong Yin Ching	10	10	-	-
Chih Ming Yap	13	13	-	-
Simon Loh	13	13	2	2
Jack Tan	13	13	2	2
James Huey	13	13	2	-
Dato' Hassan	2	1	-	-

* Numbers of meeting held during the time the director held office during the year.

Principal Activities

The Group is principally engaged in the provision of voucher and on-line top-ups for various prepaid services (principally mobile phone air-time) in Malaysia, Pakistan and Thailand and the sales of software services.

Results

The consolidated net loss of the Group for the financial year after providing for income tax and eliminating outside equity interest amounted to (\$4,356,925).

Dividends

No dividends were paid or declared since the start of financial year. No recommendation for payment of dividends has been made. (2007: a 100% franked interim dividend of 1.36 cents per share was paid to the holders of fully paid ordinary shares on 10 April 2007.)

Review of Operations

Financials

The impairment of software acquired and convertible loan has negatively impacted financial performance of the Group during the financial year. The revenue for the year was down 28% to \$10.2m (2007: \$14.3m) due to number of factors, firstly the board decision not to offer outright sales of software has seen a \$2.5m reduction of software sales compared to previous corresponding period. Secondly the prepaid segment registered a \$1.4m reduction in revenue due to market slowdown.

In terms of cash flow, the Company registered negative \$2.1m net operating cash during the year giving closing cash balances of \$12.0m and net debt of \$2.0m (2007: \$13.4m and \$0.4m respectively). The negative operating cash was to finance higher inventories level for long holiday's period during the year end. Earnings per share post consolidation were (15.5) cents (\$) (2007: 0.8 cents) with no dividend proposed for the period.

A focus on operational efficiencies in the Malaysia market means we have seen only 1% reduced in normalised profit after tax and minority interest, despite a 12% reduction in revenue year on year.

Directors' Report

e-pay asia annual report 2008

Strategy

The Malaysia market remains stable despite the global economy crisis. Prepaid airtime sales continue to be the main revenue generator. The management continues to focus on expanding the terminal base to cover all blind spots and to enhance productivity of the terminals through introducing more quality products and services. Additional products are expected to be introduced in near future as more MVNO (mobile virtual network operator) are rolling out services in 2009.

The management team under the stewardship of Dato' Hassan Said, who was appointed Executive Chairman of e-pay Malaysia in October 2008, focuses on driving the sales and managing resources and costs effectively. The team is examining existing customers' base to seek opportunities to expand the sales in most effective manner. New marketing and customer loyalty programs to be carried out to promote the use of electronic reload system.

In summary, the management is focused on three goals;

- i) acquiring and developing revenue stream through new products and services;
- ii) maintaining healthy and strong balance sheet, which features low gearing through efficient working capital management;
- iii) marketing efforts and loyalty program to promote the use of electronic reload system.

New markets

The Company continues its collaboration with AsiaNet Technology Limited ('ANTL') in exploring business opportunities in China. Further studies are being conducted to ascertain the changes to China market resulted from current economy crisis. Further progress will be announced in due course. The Board continues to believe that a joint venture approach in new market will provide a better financial return to shareholders in the long term.

Outlook

2008 has been a challenging year to see market softening on a global basis. However, the strategies the Company adopted in 2008 have proven effective, especially in the area of cost management. We believe by continuing the same strategies coupled with micro-management of sales and exploring new growth markets in China, will present solid future prospects to the Company and position the Company to be Asia's leading electronic payment processor.

Significant Changes in State of Affairs

No significant changes in the state of affairs of the Group occurred during the financial year.

Future Developments

The likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this annual financial report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Key Business Strategies and Future Prospects

The Group's business strategies and prospect for growth in future financial years have not been included in this report, as the inclusion of this information is likely to result in an unreasonable prejudice to the Group.

Directors' Report

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Environmental Issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth.

After Balance Date Events

On 21st January 2008, the Company consolidated the number of shares on issued on the basis of 1 new share for every 10 old shares. All the references in this report (other than the post consolidation total below) to share are pre-consolidation.

Total number of issued ordinary shares post consolidation	28,165,160
Diluted weighted average number of issued ordinary shares post consolidation	28,165,160

Except for the above share consolidation, no matter or circumstances has arisen since the end of the financial year which significantly affected, or may significantly affect:

- (a) the Group's operations in subsequent financial years, or
- (b) the results of those operations in subsequent financial years, or
- (c) the Group's state of affairs in subsequent financial years.

Options and Shares or Other Interests Under Option

Details of options granted to directors or relevant officers as part of their remuneration are set out in the Remuneration Report below.

Shares under option

Unissued ordinary shares of e-pay Asia Limited under option as at the date of this report are as follows:

Grant date		Expiry date	Exercise price of shares \$	Number under option
12 December 2002	(i)	11 December 2009	\$3.15	357,143
28 August 2004	(i)	27 August 2009	\$1.93	23,810
			Total	380,953

(i) Options granted under Employee Option Plan – totalling 380,953

Shares issued on the exercise of options

No shares have been issued on the exercise of options during the financial year or since the end of the financial year.

Directors' Report

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Shareholdings of key management personnel

31 December 2008	Balance 1/1/2008	Granted as remuneration	On exercise of options	Net change other *	Balance 31/12/2008
Directors					
John Croft (Resigned on 17 October 2008)	202,415	-	-	1,571,429	1,773,844
Yin Ching Wong (Resigned on 17 October 2008)	9,621,000	-	-	200,000	9,821,000
Chih Ming Yap	319,230	-	-	150,000	469,230
Simon Loh	115,660,830	-	-	634,164	116,294,994
Jack Tan	-	-	-	393,361	393,361
James Huey	-	-	-	300,000	300,000
Dato' Hassan (Resigned 21 February 2008)	21,284,750	-	-	-	21,284,750
Other Key Management Personnel					
Eng Sun Sam	237,085	-	-	-	237,085

* Net Change Other refers to shares purchased or sold during the financial year.

Loans to directors and executives

No loans were made to directors or executives during the year.

Indemnifying Officers or Auditor

During the financial year the parent Company has paid a premium in respect of a directors' and officers' liability insurance contract for all directors and secretaries of the Company named in this report.

The policy insures persons who are directors or officers of the company and its controlled entities against certain liabilities incurred as such by an officer or director, while acting in that capacity. The premium has not been determined on an individual entity, officer or director basis. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contract as such disclosure is prohibited under the terms of the contract.

No other agreements to indemnify directors, officers or auditors have been entered into, nor have any payments in relation to indemnification been made, during or since the end of the financial year, by the Company.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Directors' Report

e-pay asia annual report 2008

Auditor's Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

Non-audit services

The Company may decide to employ its auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the period are set out below.

The Board of Directors in accordance with advice from the audit committee is satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objective of the auditors and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set but the Accounting Professional and Ethical Standards Board.

During the year the following fees were paid or payable for services provided by the auditor of the Company its related practices and non-related audit firms.

	Consolidated 2008 \$
Assurance Services	
Hall Chadwick	
– Audit and review of financial reports - 2008	80,822
Total remuneration for assurance services	80,822
Taxation Services	
Hall Chadwick	
- Tax compliance services	13,450
Total remuneration for taxation services	13,450
Advisory Services	
Sundry accounting advisory services	
- Hall Chadwick	6,464
Total remuneration for advisory services	6,464

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of e-pay Asia Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained on pages 15 to 17 of the Financial Report.

Directors' Report

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Remuneration report

The remuneration report is set out under the following main headings

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

The information provided under headings A-D includes certain remuneration disclosures that are required under Accounting Standard AASB 124: Related party Disclosures. These disclosures have been transferred from the financial report, and have been audited where indicated.

A Principles used to determine the nature and amount of remuneration (audited)

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework provides for a mix of fixed and variable pay.

Non-executive Directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. The fees paid to non-executive directors are inclusive of committee fees.

Non-executive director fees and payments are reviewed annually by the Board and comprise a fixed pay component only.

Key Management (Executive) Personnel

The executive management pay and reward framework has four components

- Base pay and benefits
- Bonuses
- Post employment benefits
- Share based payments

The combination of these comprises the executive's total remuneration.

Base pay and benefits

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. There are no guaranteed base pay increases included in any key management employee's contract.

Key management employees receive benefits including car allowances.

Bonuses

Bonuses are paid to individual key management personnel at the discretion of the Chief Executive Officer and the Board of Directors.

Post employment benefits

Post employment benefits representing statutory entitlements are delivered to the superannuation fund of the key management personnel.

Share based payments

Information on the e-pay Asia Limited employee option plan is set out under point "D" below.

Directors' Report

e-pay asia annual report 2008

B Details of remuneration of Key Management Personnel (audited)

The Key Management Personnel of e-pay Asia Limited (Company) includes the Directors per pages 3-4.

The Key Management Personnel of the Group are the Directors of e-pay Asia Limited and those identified executives that report directly to the Chief Executive Officer. This includes the group of executives who received the highest remuneration for the year ended 31 December 2008. The executives and their positions are set out in the table below.

Key Management Personnel of the Group – 2008

2008	Short term (Primary)		Post Employment Benefits	Termination Benefits	Long term (Other)	Share based (Equity)		Total	% Option content of Total
	Fees	Bonus ⁽¹⁾	Superannuation	Cash	Incentive plans	Shares	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	
Executive Directors									
Yin Ching Wong (Chief Executive Officer) (Resigned on 17 Oct 2008)	131,229	10,936	20,932	-	-	-	-	163,097	-
Simon Loh (Chief Executive Officer)	106,388	-	7,486	-	-	-	-	113,874	-
Chih Ming Yap (Chief Financial Officer)	102,440	5,556	11,643	-	-	-	-	119,639	-
Dato' Hassan (Resigned on 21 Feb 2008)	71,710	-	10,756	-	-	-	-	82,466	-
Non-Executive Directors									
John Croft (Chairman) (Resigned on 17 Oct 2008)	65,322	-	-	-	-	-	-	65,322	-
Jack Tan (Chairman)	56,000	-	-	-	-	-	-	56,000	-
Rodney James Huey	26,000	-	-	-	-	-	-	26,000	-
Other Key Management Personnel									
Eng Sun Sam (Chief Technology Officer)	79,598	6,633	11,897	-	-	-	-	98,128	-
Total	638,687	23,125	62,714	-	-	-	-	724,526	-

(1) Specific performance criteria were not used as a guide to determine performance remuneration during the financial year. Such remuneration was determined at the discretion of the Chief Executive Officer and Board of Directors.

Directors' Report

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Key Management Personnel of the Group – 2007

2007	Short term (Primary)		Post Employment Benefits	Termination Benefits	Long term (Other)	Share based (Equity)		Total	% Option content of Total
	Fees	Bonus ⁽¹⁾	Superannuation	Cash	Incentive plans	Shares	Options		
	\$	\$	\$	\$	\$	\$	\$		
Executive Directors									
Yin Ching Wong	143,004	20,927	19,672	-	-	-	-	183,603	-
Chih Ming Yap	95,783	10,464	11,719	-	-	-	-	117,966	-
Dato' Hassan	149,980	17,440	20,090	-	-	-	-	187,510	-
Jonathan Soon	19,425	-	-	128,205	-	-	-	147,630	-
Non-Executive Directors									
John Croft	72,812	-	-	-	-	-	-	72,812	-
Simon Loh	155,216	-	15,026	-	-	-	-	170,242	-
Jack Tan	66,000	-	-	-	-	-	-	66,000	-
Rodney James Huey	4,000	-	-	-	-	-	-	4,000	-
Michael Lee	56,250	-	11,207	-	-	-	-	67,457	-
Other Key Management Personnel									
Eng Sun Sam	66,968	12,556	9,543	-	-	-	-	89,067	-
Total	829,438	61,387	87,257	128,205	-	-	-	1,106,287	-

(1) Specific performance criteria were not used as a guide to determine performance remuneration during the financial year. Such remuneration was determined at the discretion of the Chief Executive Officer and Board of Directors.

Cash bonuses and options

100% of available cash bonuses and options set out in the above tables were paid or vested, and none were forfeited because the person did not meet specified performance criteria.

Directors' Report

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C Service agreements (audited)

(i) The Company entered into a service agreement with Simon Loh on 17 October 2008, the salient terms are;

- annual salary of \$122,624 effective 1st January 2009 (excluding company superannuation contribution)
- annual director fee of \$60,000 (effective 1st January 2009)
- the agreement can be terminated by either party giving 6 months notice
- subject to annual review, two months prior to the end of each year ending 31 December
- there is no termination payments payable under the contract.

D Share-based compensation (audited)

No options were provided as remuneration to any director of the Company or any of the Key Management Personnel of the Group for the financial year ended 31 December 2008.

This report has been made in accordance with a resolution of the Board of Directors.



Simon Loh
Chief Executive Officer
Kuala Lumpur, 27 March 2009

Auditor's Independence Declaration

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e-pay Asia Limited
ABN 99 089 227 887
and controlled entities

Auditor's Independence Declaration under section 307c of the Corporations Act 2001 to the Directors of e-pay Asia Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2008 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick
Level 29, St Martins Tower
31 Market Street, Sydney, NSW 2000

DREW TOWNSEND
Partner
Date: 27 March 2009

Sydney
Level 29
St Martins Tower
31 Market Street
Sydney NSW 2000

GPO Box 3555
Sydney NSW 2001
or
DX 1451 Sydney

Telephone: (02) 9263 2600
Facsimile: (02) 9263 2800
Email: sydney@hallchadwick.com.au

Parramatta
Telephone: (02) 9687 2100
Facsimile: (02) 9687 2900

Penrith
Telephone: (02) 4721 8144
Facsimile: (02) 4721 8155

Melbourne
Telephone: (03) 9670 0969
Facsimile: (03) 9670 0217

Partners
Robert Elliott
Drew Townsend
David Kenney
Richard Albarran
Gino Malacco
Paul Leroy
Steven Gladman
Brent Kijurina
Blair Pleash

Associates
Graham Webb
Lyle Vallance
Bill Petrovski
David Ross

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Accountants**

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Corporate Governance Statement

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The Board strongly endorses the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX. Having regard to the size and nature of the Company's operations, the Board have adopted the Best Practice Recommendations they consider appropriate for the Company. The Best Practice Recommendations adopted or specific comments thereon are as follows:

Lay solid foundations for management and oversight

The Board is responsible for the Corporate Governance of the Company including setting and the monitoring the objectives, goals and corporate direction of the Company. There are no formal statements as to the delegated authority of management, however the Board closely interacts with the management of the Company, and given the small size of the management team considers this process to be appropriate.

The Board's primary roles are:

- The protection and enhancement of long-term shareholder value
- The overall Corporate Governance of the consolidated entity
- Setting strategic direction, including establishing goals for management and monitoring the achievement of these goals
- Monitoring financial performance, including approval of the annual and half year financial reports and liaison with the company's auditors
- The identification of areas of significant risk and ensuring adequate arrangements are in place to manage these risks
- The establishment of appropriate ethical standards
- The appointment of the Managing Director, evaluating performance and determining remuneration of senior executives as well as ratifying their appointment and removal.
- Reviewing of risk management and legal compliance

Structure of the Board to add value

Directors' qualifications and experience are outlined in the Directors' Report.

At present the Board consists of two non-executive directors, including the chairperson, and two executive directors, a total of four directors. As the Company grows, the structure of the Board will continue to change to reflect the needs of the company. The Company considers the two non-executive directors to be independent.

The Nomination Committee is chaired by a non-executive director with all members being non-executive directors. The Committee would examine the process of selection of any candidate to ensure he/she possesses appropriate expertise and experience meeting the needs of the Company. The Board then appoints the most suitable person who shall hold office, until the conclusion of the following annual general meeting of the Company and shall be eligible for election at such annual general meeting.

Each director has the right to seek independent professional advice regarding material matters concerning the Company, at the Company's expense, after notifying the Chairman.

Corporate Governance Statement

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Ethical and Responsible Decision-Making

The Company has established a formal Code of Conduct that expresses certain basic principles that e-pay Asia Limited, its directors, its employees and external consultants should follow in all dealings related to e-pay Asia Limited and obligations to legitimate stakeholders. The Code also sets out the standards to which each director will adhere whilst conducting their duties. Full details are available on the Company's web site.

All employees are responsible for e-pay Asia Limited achieving the highest levels of business conduct.

The Company has a formal policy concerning trading in its securities by persons whose positions expose or are likely to expose them to information regarding the e-pay Asia Group, being:

- the Board;
- the Chief Executive Officer of e-pay Asia Limited;
- the Executive Assistant to the Chief Executive Officer, the Chief Financial Officer/Financial Controller/Finance Director;
- any Senior Management who are discharging managerial responsibilities, or Consultant to e-pay Asia Limited and/or any of its subsidiaries, who may be exposed to Inside Information in the course of their duties.

These parties (collectively called "Restricted Personnel" for the purposes of this policy) are subject to restrictions on trading in e-pay Asia Limited securities other than at certain specific time frame within a year, i.e. the trading is only allowable during the open trading window within the calendar year.

Full details are available on the Company's web site.

Safeguard Integrity in Financial Reporting

As at the date of this report, the Company has a formally constituted Audit Committee consisting of two non-executive directors, including the non-executive chairman. This complies with ASX Corporate Governance Principal Four except that due to the size of the Board it only consists of two and not three non-executive directors as recommended. Details of the names and qualification of those appointed to the committee and the number of meetings held and attended by the members is outlined in the Directors' Report.

The responsibilities of the audit committee include:

- reviewing the financial report and other financial information distributed externally
- reviewing any accounting policies to ensure compliance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements
- reviewing external audit reports to ensure that where major deficiencies or breakdown in controls or procedures have been identified, appropriate and prompt remedial action is taken by management
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner
- monitoring the establishment of an appropriate internal control framework and considering enhancements
- monitoring the establishment of appropriate ethical standards
- monitoring the procedures in place to ensure compliance with the Corporations Act 2001 and Stock Exchange Listing Rules and all other regulatory requirements
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions
- reviewing reports on any major defalcations, frauds and thefts from the Company
- improving the quality of the accounting function

Corporate Governance Statement

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Make Timely and Balanced Disclosure

The Board, through its continuous disclosure, the maintenance of its web site, distribution of the half-year and annual report to all shareholders and the holding of an annual shareholders meeting where shareholders are encouraged to participate, strives to keep shareholders fully informed of developments within the Company, in a cost effective manner.

Shareholders' Rights

The Company has established a formal shareholder communications strategy. Full details are available on the Company's web site.

Recognise and Manage Risk

The Company has adopted formal risk management profiles, policies and procedures. These policies have been established to ensure that e-pay Asia Limited implements a comprehensive system of risk identification, assessment and management. The risk management system forms an integral part of the Company's structure and is designed to identify, assess, monitor and manage risk, and inform investors of major risks faced by e-pay Asia Limited and any significant changes to those risks. The Board requires declarations by the chief executive officer and the chief financial officer in accordance with section 295A of the Corporations Act.

Remunerate fairly and responsibly

Directors' Emoluments are outlined in the Directors' Report.

Remuneration levels, including participation in the Company's Share Option Scheme, are set to provide reasonable compensation in line with the Company's financial resources. In accordance with Corporations Act requirements, the Company discloses the remuneration paid to all Directors, plus Executive Officers. The Company has an Employee Share Option Plan that was introduced at the time the Company listed on ASX.

The Board has not adopted formal Performance Enhancement procedures, as the Board undertakes ongoing performance reviews as part of its regular review of Company activities.

The only retirement benefits payable to non-executive directors are statutory superannuation payments.

Income Statements

for the year ended 31 December 2008

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	Note	CONSOLIDATED GROUP		PARENT ENTITY	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue	3	10,185,391	14,278,381	817,570	6,055,531
Other income	3	26,588	-	21,767	57,196
Employee benefits expense		(2,620,141)	(3,803,054)	(217,950)	(413,129)
Advertising and promotion expenses		(471,339)	(300,257)	-	-
Accommodation and travelling expenses		(272,187)	(543,983)	(25,506)	(117,789)
Telephone and utility charges		(430,928)	(600,323)	(2,298)	(12,734)
Professional and consultancy fees		(486,668)	(942,399)	(413,268)	(806,529)
Operating lease rentals		(178,403)	(249,232)	(46,646)	(11,435)
Terminal installation and maintenance fees		(116,486)	(245,336)	-	-
Other operating expenses		(1,128,806)	(1,249,873)	(503,729)	(261,342)
Profit/ (loss) before finance costs, depreciation & amortisation, impairment losses and income tax		4,507,021	6,343,924	(370,060)	4,489,769
Finance costs		(1,258,326)	(1,503,954)	(770,194)	(544,725)
Impairment of goodwill		-	(928,501)	-	-
Impairment of plant and equipment		-	(618,329)	-	-
Impairment of intangible assets		(1,590,436)	-	-	-
Impairment of receivables from associate entities		-	(151,811)	-	-
Impairment of receivables from controlled entities		-	-	(3,145,674)	(1,053,258)
Impairment of convertible notes		(2,748,000)	-	-	-
Impairment of investment in controlled entities		-	-	(31,780,310)	-
Depreciation and amortisation expenses	4	(1,820,784)	(2,084,298)	-	-
(Loss)/ profit before income tax		(2,910,525)	1,057,031	(36,066,238)	2,891,786
Income tax expense	5	(52,441)	(348,872)	-	-
(Loss)/ profit for the year		(2,962,966)	708,159	(36,066,238)	2,891,786
Attributable to:					
Members of the parent entity		(4,356,925)	206,287	(36,066,238)	2,891,786
Minority equity interest		1,393,959	501,872	-	-
		(2,962,966)	708,159	(36,066,238)	2,891,786
Basic earnings per share (cents per share)	29	(1.55)	0.08		
Diluted earnings per share (cents per share)	29	(1.55)	0.08		

The accompanying notes form part of these financial statements.

Balance Sheets

as at 31 December 2008

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	Note	CONSOLIDATED GROUP		PARENT ENTITY	
		2008 \$	2007 \$	2008 \$	2007 \$
Current Assets					
Cash and cash equivalents	7	11,994,673	13,367,423	1,747,441	1,540,555
Trade and other receivables	8	3,342,747	3,141,979	50,497	1,229,061
Financial assets	9	-	2,624,000	-	-
Prepaid airtime top-ups		13,162,337	8,374,507	-	-
Others current assets	10	88,503	178,996	31,603	11,181
Total Current Assets		28,588,260	27,686,905	1,829,541	2,780,797
Non-Current Assets					
Trade and other receivables	8	-	-	-	3,035,674
Plant and equipment	11	2,520,649	2,817,727	-	-
Intangible assets	12	197,306	2,293,034	-	-
Investments – equity accounted	13	-	-	-	-
Financial assets	15	51,656	84,337	51,656	84,337
Other financial assets	16	-	-	11,096,517	42,876,827
Total Non-Current Assets		2,769,611	5,195,098	11,148,173	45,996,838
Total Assets		31,357,871	32,882,003	12,977,714	48,777,635
Current Liabilities					
Trade and other payables	17	6,016,331	7,078,777	3,006,873	2,196,163
Financial liabilities	20	13,551,767	12,073,563	-	-
Current tax liabilities	18	12,779	1,834	-	-
Short term provisions	19	69,626	84,476	69,626	84,476
Others current liabilities		-	70,000	-	-
Total Current Liabilities		19,650,503	19,308,650	3,076,499	2,280,639
Non-Current Liabilities					
Financial liabilities	20	471,826	906,719	468,710	896,682
Deferred tax liabilities	18	89,591	74,111	-	-
Long term provisions	19	49,434	118,325	49,434	118,325
Total Non-Current Liabilities		610,851	1,099,155	518,144	1,015,007
Total Liabilities		20,261,354	20,407,805	3,594,643	3,295,646
Net Assets		11,096,517	12,474,198	9,383,071	45,481,989
Equity					
Issued capital	21	12,163,687	12,163,687	87,298,895	87,298,895
Reserves	22	2,248,775	1,067,199	1,795,873	1,828,553
Retained losses	22	(7,453,711)	(3,096,786)	(79,711,697)	(43,645,459)
Parent interest		6,958,751	10,134,100	9,383,071	45,481,989
Minority equity interest		4,137,766	2,340,098	-	-
Total equity		11,096,517	12,474,198	9,383,071	45,481,989

The accompanying notes form part of these financial statements.

Statements of Changes in Equity

for the year ended 31 December 2008

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	Note	CONSOLIDATED GROUP		PARENT ENTITY	
		2008 \$	2007 \$	2008 \$	2007 \$
Balance at the beginning of the year		12,474,198	14,055,593	45,481,989	44,436,116
Exchange difference on translation of foreign controlled entities		1,876,121	(443,641)	-	-
Minority equity interest share of dividend paid by subsidiary		(258,156)	-	-	-
Available for sale financial assets- revaluation decrement		(32,680)	(42,167)	(32,680)	(42,167)
Net profit/ (loss) recognised directly in equity		1,585,285	(485,808)	(32,680)	(42,167)
(Loss)/ profit for the year		(2,962,966)	708,159	(36,066,238)	2,891,786
Total recognised income / (expense) for the year		(1,377,681)	222,351	(36,098,918)	2,849,619
Liabilities/expenses settled by the issue of equity		-	919,776	-	919,776
Contributions of equity, net of transaction costs		-	56,734	-	56,734
Interim dividend declared		-	(2,780,256)	-	(2,780,256)
Total equity at year end		11,096,517	12,474,198	9,383,071	45,481,989

The accompanying notes form part of these financial statements.

Cash Flow Statements

for the year ended 31 December 2008

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	Note	CONSOLIDATED GROUP		PARENT ENTITY	
		2008 \$	2007 \$	2008 \$	2007 \$
Cash flows from operating activities					
Receipts from customers		571,222,788	581,677,305	-	68,855
Payments to suppliers and employees		(572,910,316)	(566,324,316)	(1,040,148)	(2,279,245)
Interest received		294,919	437,039	451,126	180,810
Dividend received		-	-	1,163,244	4,500,000
Finance costs		(667,280)	(1,216,652)	(175,518)	(133,422)
Income tax paid		(41,496)	(109,836)	-	-
Net cash (used in)/ provided by operating activities	24 (b)	(2,101,385)	14,463,540	398,704	2,336,998
Cash flows from investing activities					
Proceeds from disposal of plant and equipment		10,642	165,250	-	-
Investment in subsidiary		-	-	(10)	-
Payments for plant and equipment		(514,179)	(846,091)	-	-
Withdrawal of investment in financial assets (term deposits)		-	1,798,000	-	-
Loans to controlled entities		-	-	-	(2,500,000)
Subscription of convertible loan note		-	(2,500,000)	-	-
Net cash used in investing activities		(503,537)	(1,382,841)	(10)	(2,500,000)
Cash flows from financing activities					
Proceeds from issue of shares		-	56,734	-	56,734
Proceeds from borrowings		-	2,607,615	-	-
Repayments of borrowings		(2,440,104)	(6,111,273)	(1,261,754)	(407,890)
Dividends paid		-	(2,780,256)	-	(2,780,256)
Repayment from subsidiaries		-	-	1,069,946	2,784,273
Net cash used in financing activities		(2,440,104)	(6,227,180)	(191,808)	(347,139)
Net (decrease)/ increase in cash held		(5,045,026)	6,853,519	206,886	(510,141)
Cash at beginning of financial year		13,367,423	7,084,440	1,540,555	2,050,696
Effect of exchange rates on cash holdings in foreign currencies		3,672,276	(570,536)	-	-
Cash and cash equivalents at end of financial year	7	11,994,673	13,367,423	1,747,441	1,540,555

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2008

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Note 1. Statement of Significant Accounting Policies

The financial report includes the consolidated financial statements and notes of e-pay Asia Limited and controlled entities and the separate financial statements and notes of e-pay Asia Limited as an individual parent entity.

Basis of Preparation

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report was authorised for issue by the directors on 27 March 2009.

Principles of Consolidation

A controlled entity is any entity over which e-pay Asia Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 31 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidation financial statements as well as their results for the year then ended. Where controlled entities have entered the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the group, are shown separately within the Equity section of the consolidated Balance Sheet and in the consolidated Income Statement.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

Notes to the Financial Statements

for the year ended 31 December 2008

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The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent Company's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses (or impairment write-downs) in an associate equals or exceeds its interest in the associate, including any other long-term receivables that in substance form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Revenue Recognition

Airtime commission revenue

Airtime commission revenue is recognised upon the provision of vouchers and on-line top-ups bearing prepaid airtime PINS to end user customers.

Software solutions

Revenue from software solutions comprises software licence fees, professional service fees for installation and customisation, and ongoing software maintenance fees.

Revenue from the development of customised software is recognised as revenue by reference to the stage of completion of the development. Revenue from multiple-element software arrangements is allocated to each element based on the relative fair values of those elements.

Revenue from software licensing agreements is recognised over the contract term using the stage of completion method. When the licence granted is perpetual and the Company has no further obligations, the licence is recognised as revenue at the time of sale.

Interest income

Interest income is recognised on a time proportional basis using the effective interest rate method.

Dividends

Dividends are recognised as revenue when the right to receive the payment is established.

Taxes

Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax assets and deferred tax liability balances during the year as well as unused tax losses.

Notes to the Financial Statements

for the year ended 31 December 2008

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Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognised of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax assets can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by same taxation authority on either the same taxable entity of different taxable entities where it is intended that net settlement of simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

e-pay Asia Limited and its wholly-owned Australian subsidiaries are part of a tax-consolidated group under Australian taxation law. e-pay Asia Limited, as the head entity in the Australian tax consolidation group, recognises current tax amounts and deferred tax originating from available tax losses of its Australian subsidiaries, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax sharing and a tax funding agreement with the tax consolidated entities are recognised as intercompany balances.

Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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 in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Foreign Currency Translation and Balances

Functional and presentation currency

The functional currency of each of the group's entities 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.

Notes to the Financial Statements

for the year ended 31 December 2008

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Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates 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.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

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; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the assets, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Notes to the Financial Statements

for the year ended 31 December 2008

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Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that a control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

Impairment of assets

At each reporting date, the Group reviews the carrying amount of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have an assessed finite useful life are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) and these cash flows are discounted using the weighted average cost of capital.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

Trade and other receivables

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less impairment. Trade receivables are due for settlement no more than 21 days from the date of recognition.

Collectability is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment loss is recognised where some doubt as to collectability exists. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the income statement.

Notes to the Financial Statements

for the year ended 31 December 2008

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Prepaid airtime top-ups

Prepaid airtime top-ups (comprising vouchers and prepaid airtime PINS) are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Plant and equipment

All plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of equipment comprises their purchase cost and any incidental costs of acquisition.

Depreciation of equipment is calculated to write off the cost of each asset on a straight line basis over the estimated useful lives of the assets concerned. The principal annual rates of depreciation are as follows:

EDC terminals	20%
Office equipment	20%
Computer Hardware	33 1/3 %
Furniture and fittings	20%
Motor vehicles	20%

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. See accounting policy note on "impairment of assets".

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the Income Statement.

Repairs and maintenance are charged to the income statement during the period in which they are incurred. The cost of major renovations is recognised as a separate item of property, plant and equipment, and depreciated over the remaining useful life of the asset.

Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments or financial assets were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Balance Sheet date.

Notes to the Financial Statements

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Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity in the available-for-sale investment revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and pricing models to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the Income Statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the Income Statement.

Intangible Assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or business at the date of acquisition. Goodwill on acquisition of subsidiaries and businesses is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Research and Development

Research expenditure is recognised as an expense as incurred. Costs incurred on software development projects are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised developments costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at the fair value of what is expected to be paid, and subsequently at amortised cost.

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Financial liabilities

The Group classifies borrowings as its financial liabilities. Borrowings are recognised at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised as a finance charge in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:

- interest on bank overdrafts, short and long-term borrowings
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings
- exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest costs.

Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave expected to be settled within 12 months from the reporting date is recognised in the provision for employee benefits and is measured at the amounts expected to be paid when the liabilities are settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further obligations in respect of these plans.

Share based payments

The Group provides benefits to selected employees in the form of an Employee Option Plan. The relevant employees are deemed to provide services to the Group in exchange for Options. The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date that they are granted. The fair value at grant date is independently determined using a Black-Scholes pricing model that takes into account the term of the performance rights, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the performance rights, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance rights. The fair value of the share based payment is recognised over the relevant vesting period as an expense, with a corresponding increase in equity.

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Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

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 income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 2. Critical Accounting estimates and judgements

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. There were no critical judgments. Key estimates are discussed below.

Key estimates – impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. This involves value-in-use calculations which incorporate a number of key estimates and assumptions.

(a) Impairment of goodwill

Goodwill balance of \$928,501 arose in connection with the Group's acquisition in 2006 of the remaining minority interest in its Indonesian subsidiary which operated in the "pre-paid top-up" business segment in the Asia geographic region. This goodwill was subsequently impaired in the prior year.

Since that date, the Group ceased the operation of the Indonesian subsidiary, confirming the need for the write-down.

(b) Share based payments

The Group measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date on which they are granted.

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Adoption of revised accounting standards

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group	
AASB 2007–3 Amendments to Australian Accounting Standards	AASB 5	Non-current Assets Held for Sale and Discontinued Operations	1.1.2009	1.7.2009	
	AASB 6	Exploration for and Evaluation of Mineral			
	AASB 102	Inventories			
	AASB 107	Cash Flow Statements			
	AASB 119	Employee Benefits			
	AASB 127	Consolidated and Separate Financial Statements			
	AASB 134	Interim Financial Reporting			
	AASB 136	Impairment of Assets			
	AASB 1023	General Insurance Contracts			
	AASB 1038	Life Insurance Contracts			
AASB 8 Operating Segments	AASB 114	Segment Reporting	As above	1.1.2009	1.7.2009
AASB 2007–6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	1.1.2009	1.7.2009	
	AASB 101	Presentation of Financial Statements			
	AASB 107	Cash Flow Statements			
	AASB 111	Construction Contracts			
	AASB 116	Property, Plant and Equipment			
AASB 138	Intangible Assets	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.			
AASB 123 Borrowing Costs	AASB 123	Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007–8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 101	AASB 101	Presentation of Financial Statements	As above	1.1.2009	1.7.2009

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Note 3. Revenue

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenue:				
Software sales revenue	72,813	2,569,379	-	-
Airtime commission revenue	9,511,413	10,766,259	-	-
Interest income	419,000	561,039	136,137	294,563
Guarantee fee income	-	-	314,989	355,330
Dividend income	-	-	366,444	5,405,638
Other revenue	182,165	381,704	-	-
	10,185,391	14,278,381	817,570	6,055,531
Other income:				
Foreign exchange gain	-	-	-	4,183
Gain on disposal of plant and equipment	4,842	-	-	-
Sundry Income	21,746	-	21,767	53,013
	26,588	-	21,767	57,196

Note 4. (Loss)/Profit for the year

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Expenses				
Depreciation and amortisation:				
Depreciation of:				
- Plant and equipment	1,130,066	1,415,287	-	-
Total depreciation	1,130,066	1,415,287	-	-
Amortisation of:				
- Software	679,513	647,212	-	-
- Other intangibles assets	11,205	21,799	-	-
Total amortisation	690,718	669,011	-	-
Total depreciation and amortisation	1,820,784	2,084,298	-	-
Impairment of trade receivables	28,060	149,022	-	-
Non trade receivables bad debts written off	146,429	-	-	-
Impairment of receivables from associates entities	-	151,811	-	-
Impairment of receivables from controlled entities	-	-	3,145,674	1,053,258
Impairment of goodwill	-	928,501	-	-
Impairment of plant and equipment*	-	618,329	-	-
Impairment of investment in controlled entities	-	-	31,780,310	-
Impairment of intangible assets (Note 12)	1,590,436	-	-	-
Impairment of convertible notes (Note 9)	2,748,000	-	-	-
Loss on disposal of plant and equipment	-	5,371	-	-
Operating lease rentals – minimum lease payments	178,403	249,232	46,646	11,435
Finance costs	1,258,326	1,503,954	770,194	544,725
Foreign exchange loss	249,922	128,140	267,053	-

* Impairment of plant and equipment includes NIL (2007: \$409,962) as a result of scrapping of certain plant and equipment in connection with the closure of the operations of PT e-pay Indonesia (refer Note 4 (b)). The balance relates mainly to the scrapping of surplus obsolete equipment held by e-pay (M) Sdn Shd.

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(b) Discontinued operation

(i) Description

As announced to the Australian Stock Exchange and AIM Exchange on 22 October 2007, the Board of Directors resolved to close the operations of PT e-pay Indonesia.

Financial information relating to the discontinued operation for the period to the date of cessation of operations is set out below.

(ii) Financial performance and cash flow information

	Note	CONSOLIDATED GROUP		PARENT ENTITY	
		2008 \$	2007 \$	2008 \$	2007 \$
Expenses		(138,974)	(1,114,639)	-	-
Loss before income tax		(138,974)	(1,114,639)	-	-
Income tax benefit		-	(298,646)	-	-
Loss after income tax of discontinued operations		(138,974)	(1,413,285)	-	-
Net cash outflow from operating activities		(4,008)	(743,765)	-	-
Net cash outflow from investing activities		-	(85,799)	-	-
Net cash outflow from financing activities		-	(23,067)	-	-
Net decrease in cash generated		(4,008)	(852,631)	-	-

In addition, further losses were incurred as a result of the scrapping of certain plant and equipment of NIL (2007: \$409,962) and the impairment of goodwill of NIL (2007: \$928,501).

Note 5. Income Tax Expense

(a) The component of tax expense comprises:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Malaysian tax	52,441	50,226	-	-
Indonesian tax	-	258,191	-	-
	52,441	308,417	-	-
Add/(less):			-	-
Transfer from deferred tax	-	40,455	-	-
Income tax expense	52,441	348,872	-	-

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(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
(Loss)/ profit before income tax	(2,910,525)	1,057,031	(36,066,238)	2,891,786
Prima facie tax expense/ (benefit) on (loss)/profit from ordinary activities before income tax at 30% (2007: 30%)	(873,158)	317,109	(10,819,871)	867,536
Tax effect of permanent and other differences:				
- Impairment write off of intangibles, goodwill and receivables	-	278,550	-	315,978
- Tax exempt dividend income from overseas subsidiary	-	-	(109,933)	(1,621,691)
- Non deductible expenses	294,871	-	6,530	-
- Tax refund receivable in Indonesia no longer recoverable	-	258,191	-	-
- Tax-exempt pioneer income and tax rate differentials (a)	(1,119,466)	(896,977)	-	-
- Difference in tax rate of overseas controlled entities	(140,315)	-	-	-
- Non taxable gain	(9,212)	-	-	-
- Overprovision for income tax	(19,268)	-	-	-
- Tax effect of temporary differences and tax losses not brought to account (b)	1,918,989	391,999	10,923,274	438,177
Total income tax expense attributable to operating (loss)/ profit	52,441	348,872	-	-
The applicable weighted average effective tax rates are as follows:	-	33%	-	-

(a) e-pay (M) Sdn Bhd, a controlled entity in Malaysia was granted a five years pioneer status under section 4A of the Promotion of Investments (Amendment) Act 1997 with effect from 15 August 2001, with a option for extension for a further five years. The option for extension was approved, providing the Company with continued pioneer status until 15 August 2011. Under the pioneer status, all value-added income of the company is tax exempted.

Mobiepay Sdn Bhd was also granted a 5-year pioneer status under Section 4A of the Promotion of Investments (Amendment) Act 1997 with effect from 7 December 2006. Under the pioneer status, all value-added income of this company is also tax exempted.

(b) Benefit of income tax losses not brought to account.

As at 31 December 2008, the Australian consolidated group has estimated unrecouped income tax losses available totalling \$5,336,393 to offset against future taxable income. The benefit of these losses has not been brought to account as realisation is not probable. The benefit will only be obtained if:

- the Australian consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- the consolidated entity continues to comply with the conditions of deductibility imposed by the law;
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

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Note 6. Dividends

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Distributions paid:				
Interim fully franked ordinary dividend NIL (2007: 1.36) cents per share franked at the tax rate 30% (2007: 30%)	-	2,780,256	-	2,780,256

Note 7. Cash and cash equivalents

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash at bank and in hand	11,994,673	13,367,423	1,747,441	1,540,555

Average rate of interest earned on cash and cash equivalents during the year for the Group was 3.16% (2007: 3.05%).

Term deposits have maturity periods ranging between 30 to 365 days (2007: 30 days). Term deposits of \$6,803,878 (2007: \$7,136,250) is pledged to the Group's bankers as security for credit facilities granted to the Group.

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Reconciliation of cash				
Cash and cash equivalents at the end of the financial year as shown in the cash flows statement is reconciled to items in the balance sheet as follows:				
Cash at bank and in hand	3,634,376	4,768,442	380,723	77,824
Term deposits	8,360,297	8,598,981	1,366,718	1,462,731
Total cash and cash equivalents in cash flow statement	11,994,673	13,367,423	1,747,441	1,540,555

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Note 8. Trade and other receivables

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Trade receivables (a)	3,553,852	3,238,175	-	-
Provision for doubtful debts (b)	(474,535)	(367,578)	-	-
	3,079,317	2,870,597	-	-
Amount receivable from:				
- Other unrelated persons	263,430	271,382	7,666	-
- Wholly owned subsidiaries (c)	-	-	42,831	1,229,061
Total current receivables	3,342,747	3,141,979	50,497	1,229,061
Non-current				
Amount receivable from:				
- Wholly owned subsidiaries	-	-	-	3,035,674
Total non-current receivables	-	-	-	3,035,674

(a) The average credit period ranges from 3 to 30 days. No interest is charged on the trade receivables. The Group has provided fully for all receivables that are not considered recoverable. Trade receivables exceeding 21 days are considered for provision based on estimated irrecoverable amounts from the sale of air time, determined by reference to past default experience.

Included in the Group's trade receivable balance are debtors with carrying amount of NIL (2007: \$360,162) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is NIL (2007: 38) days.

(b) Movement in provision for impairment of receivables

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance at beginning of the year	367,578	445,464	-	-
Amount written off during the year	(2,433)	(211,444)	-	-
Increase in allowance recognised in income statement	28,060	149,022	-	-
Foreign currency translation	81,330	(15,464)	-	-
Balance at end of the year	474,535	367,578	-	-

In determining the recoverability of trade receivables the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

(c) Included in amounts due from controlled entities in the Company column is an amount due of \$400,000 (2007: \$1,000,000) which is unsecured and interest bearing at 8% per annum (2007: 8% per annum).

(d) The foreign currency exposure profile of receivables is as follows:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Malaysian Ringgit	3,329,980	2,870,597	-	-

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Note 9. Financial Assets (Current)

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Convertible notes (i)	2,500,000	2,376,000	-	-
Option premium on convertible note (i)	248,000	248,000	-	-
Less: Impairment of convertible note	(2,748,000)	-	-	-
	-	2,624,000	-	-

(i) The Group subscribed for a convertible note ("Note") issued by a third party company on 10 September 2007. The subscription price of the Note is \$2,500,000 and the Note is non-interest bearing, unsecured and expires on 30 June 2009. The Company has the option of either converting the Note into ordinary fully paid shares in the issuer of the Note or request for the subscription price to be repaid in full.

The Note is measured at amortised cost using the effective interest method. Interest income is recognised by applying the effective interest rate of 11% per annum.

As at 31 December 2008, the Note has been fully impaired. The impairment charge arose after assessing the recoverability of the notes and the future cash generating potential of the underlying business. Given the current downturn in economic activity and the immaturity of the underlying business unit the asset has been fully impaired. This charge includes an interest component of \$248,000.

Note 10. Other Current Assets

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Deposits	56,900	44,100	-	-
Prepayments	31,603	134,896	31,603	11,181
Total other current assets	88,503	178,996	31,603	11,181

Note 11. Plant and Equipment

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Plant and equipment				
Cost				
Opening balance	3,888,686	5,615,534	-	-
Additions	437,757	779,454	-	-
Disposals	(33,773)	(2,052,219)	-	-
Foreign currency translation	1,243,625	(454,083)	-	-
Closing balance	5,536,295	3,888,686	-	-
Accumulated depreciation and impairment				
Opening balance	1,070,959	1,136,011	-	-
Depreciation for the year (Note 4a)	1,130,066	1,415,287	-	-
Depreciation write back on disposals	(27,973)	(1,267,353)	-	-
Foreign currency translation	842,594	(212,986)	-	-
Closing balance	3,015,646	1,070,959	-	-
Net book value	2,520,649	2,817,727	-	-
Total plant and equipment, net	2,520,649	2,817,727	-	-

(a) Impairment Losses

The total impairment loss recognised in the income statement during the prior year amounted to \$618,329 and is separately presented in the income statement as impairment of plant and equipment.

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Note 12. Intangibles

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Goodwill:				
At cost	-	928,501	-	-
Accumulated impairment write down	-	(928,501)	-	-
	-	-	-	-
Assigned rights, titles and interest:				
At cost	104,175	86,175	-	-
Accumulated amortisation	(65,109)	(43,087)	-	-
	39,066	43,088	-	-
Software:				
At cost	593,239	3,524,069	-	-
Accumulated amortisation	(434,999)	(1,274,123)	-	-
	158,240	2,249,946	-	-
Total intangibles	197,306	2,293,034	-	-
Movements				
Goodwill				
Balance at the beginning of year	-	928,501	-	-
Impairment write-down charged to Income statement	-	(928,501)	-	-
Balance at end of year	-	-	-	-
Assigned rights, title and interest				
Balance at the beginning of year	43,088	67,425	-	-
Additions during the year	-	-	-	-
Amortisation charged to Income Statement	(11,205)	(21,799)	-	-
Foreign currency translation	7,183	(2,538)	-	-
Balance at end of year	39,066	43,088	-	-
Software				
Balance at the beginning of year	2,249,946	2,949,237	-	-
Additions during the year	76,422	66,637	-	-
Amortisation charged to Income Statement (Note 4a)	(679,513)	(647,212)	-	-
Impairment write-down charged to Income Statement*	(1,590,436)	-	-	-
Foreign currency translation	101,821	(118,716)	-	-
Balance at end of year	158,240	2,249,946	-	-

* Software is allocated to the Group's cash generating units (CGUs) identified according to business segment and country of operation.

The software relating to the Group's acquisition in 2006 of its US subsidiary and Serbian entity.

The impairment charge arose after assessing the future cash generating potential of this software. Management's decision not to offer outright sales and analysis of the effect of changes in the market concluded that future cash generation is uncertain and unlikely to be significant. On this basis, the Board concluded this software be fully impaired.

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Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to business segment and country of operation.

The goodwill balance arose in connection with the Group's acquisition during the previous financial year of the remaining minority interest in its Indonesian subsidiary, which operates in the "Prepaid top-up" business segment in the Asia geographic region.

The recoverable amount of the CGU is determined based on the value-in-use calculations using cash flows based on financial budgets approved by management covering a 1-year period which are extrapolated using a growth rate of 2% which does not exceed the long term average growth rate for the business and geographical location in which the CGU operates. A discount rate of 14% has been used reflecting the specific risks relating to the relevant segment and geographic location of the CGU.

An impairment charge of \$928,501 arose in 2007 financial year as a result of a review of the recoverability of this asset based on the above methodology. Since that date, the Group ceased the operations of the Indonesian subsidiary, confirming the need for the write-down.

Note 13. Investments accounted for using the equity method

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Associates (Note 14)	-	-	-	-
Investment	-	-	-	-

Note 14. Associates

(a) Carrying amounts

Name	Principal Activities	Country of Incorporation	Carrying Amount		Ownership Interest	
			31 December 2008	31 December 2007	31 December 2008	31 December 2007
			\$	\$	%	%
e-pay Pakistan (Private) Limited	Sales and provision of vouchers bearing prepaid airtime personal identification numbers (PINS) and on-line top-ups for various prepaid services in Pakistan.	Pakistan	-	-	30	30
Electronic Payment Network (Thailand) Co. Ltd.	Sales and provision of vouchers bearing prepaid airtime personal identification numbers (PINS) and on-line top-ups for various prepaid services in Thailand.	Thailand	-	-	18	18

The investments in associate entities have been written down to Nil as the accumulated shares of post-acquisition losses exceed the cost of investment.

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Note 15. Financial assets (Non-current)

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Available-for-sale Financial Asset comprises:				
Listed investments, at fair value	51,656	84,337	51,656	84,337
Movement:				
At the beginning of year	84,337	126,504	84,337	126,504
Movement in fair value	(32,681)	(42,167)	(32,681)	(42,167)
At the end of year	51,656	84,337	51,656	84,337

Note 16. Other financial assets (Non-current)

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Shares in controlled entities (Note 31)				
At beginning of year	-	-	42,876,827	42,876,827
Impairment write down charged to Income Statement*	-	-	(31,780,310)	-
At the end of year	-	-	11,096,517	42,876,827

* The valuation of investment in e-pay Asia Holdings Limited is subject to impairment as the market prices of peer competitors have dropped remarkably under the current economic crisis. In the opinion of the Board, the fair value of the investment is equal to consolidated net assets as at balance sheet date as the investment represents the main cash generating unit of the entity.

Note 17. Trade and other payables (Current)

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Security and terminal deposits from customers	1,574,128	1,375,491	-	-
Trade payables	772,548	1,146,348	-	-
Sundry payables and accrued expenses	3,219,905	3,979,605	90,953	167,872
Amount payable to:				
Other related parties (Note 25F)	88,750	198,324	-	-
Ultimate parent entity	-	-	2,216,708	1,311,070
Loan from unrelated parties	361,000	379,009	361,000	379,009
Wholly owned subsidiaries	-	-	338,212	338,212
Total current payables	6,016,331	7,078,777	3,006,873	2,196,163

The credit period for the majority of operating expenditure ranges from 5 to 90 days. No interest is charged. The Group has policies in place to ensure payables are paid within the credit periods.

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(i) The foreign currency exposure profile of payables (expressed in \$) is as follows:

	CONSOLIDATED GROUP	
	2008	2007
	\$	\$
Malaysian Ringgit	5,317,775	6,159,727
Indonesia Rupiah	88,750	198,323
Thai Baht	124,346	13,344

Note 18. Tax

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Liabilities (current)				
Income Tax	12,779	1,834	-	-
Total current tax liabilities	12,779	1,834	-	-
Liabilities (non current)				
Deferred tax liability comprises:				
Tax allowances relating to plant and equipment	206,387	170,627	-	-
Provision for doubtful debts	(116,796)	(96,516)	-	-
Total non current tax liabilities	89,591	74,111	-	-

Note 19. Provisions

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Provisions (Current)				
Onerous lease provision (a)	69,626	84,476	69,626	84,476
Total current provisions	69,626	84,476	69,626	84,476
Provisions (Non current)				
Onerous lease provision (a)	49,434	118,325	49,434	118,325
Total non current provisions	49,434	118,325	49,434	118,325

(a) The onerous lease provision relates to the operating lease of the Australian head-offices premises and a associated fit-out lease. Given the directors intention to divest from its Australian businesses and the resultant significant reduction in employee numbers at the 2005 year-end, the head-office premises were not fully occupied and were considered to be far in excess of the ongoing business needs. On this basis, a provision was raised at 31 December 2005 in respect of the excessive portion of the future obligations under the leases.

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Movement

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Opening balance beginning of the year	202,801	322,985	202,801	322,985
Additional provisions recognised	-	-	-	-
Provision utilised during the year	(83,741)	(120,184)	(83,741)	(120,184)
Closing balance end of the year	119,060	202,801	119,060	202,801

Note 20. Financial liabilities

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Financial liabilities - Interest bearing (Current)				
Secured				
Bank overdraft (a)	-	-	-	-
Bank loans (b)	13,542,750	12,064,500	-	-
Lease liability 23 (b)	9,017	9,063	-	-
Total current interest bearing liabilities	13,551,767	12,073,563	-	-
Financial liabilities - Interest bearing (Non-current)				
Secured				
Convertible notes (c)	468,710	896,682	468,710	896,682
Lease liability 23 (b)	3,116	10,037	-	-
Total non-current interest bearing liabilities	471,826	906,719	468,710	896,682

(a) The effective interest rate of the bank overdraft at balance sheet date was Nil (2007: Nil) per annum. The bank overdraft is secured in the same manner as the Bank Loans disclosed in (b) below.

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. The unused amount of the overdraft at balance date is as follows:

The unused amount of the bank overdraft at balance date is as follows:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Approved limit	416,700	1,034,100	-	-
Drawn down at balance date	-	-	-	-
Unused at balance date	416,700	1,034,100	-	-

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(b) The Bank loans at 31 December 2008 are made up as follows:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current				
Bank acceptances	11,667,600	12,064,500	-	-
Trade Loan	1,875,150	-	-	-
	13,542,750	12,064,500	-	-

The unused amount of the bank loans at balance date is as follows:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Banker acceptances				
- Approved limit	13,334,400	16,200,900	-	-
- Drawn down amount at balance date	(11,667,600)	(12,064,500)	-	-
Unused at balance date	1,666,800	4,136,400	-	-
Trade Loan				
- Approved limit	3,583,620	-	-	-
- Drawn down amount at balance date	(1,875,150)	-	-	-
Unused at balance date	1,708,470	-	-	-

The weighted average annual interest rates at balance sheet date in respect of the above borrowings are as follows:

	2008	2007
	%	%
Bankers acceptances	4.87	4.40
Trade loan	4.96	-

Security pledged

The bank loans and bank overdraft facilities are secured by way of:

- i) term deposits of the Group amounting to \$6,803,878 (2007 : \$7,136,250)
- ii) a corporate guarantee and indemnity for \$24,168,600 by the parent entity (2007: \$21,716,100).

The covenants within the bank borrowings require gearing shall not exceed a factor of 2.0 at any time. Gearing is defined as total bank borrowings less fixed deposit held under lien as security for facilities granted by financial institutions over shareholders funds.

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(c) The Company issued Notes with a face value of \$3.4 million to Cornell Capital Partners Offshore LP on 22nd November 2006. The Notes bear interest at 7.95% per annum. Cornell Capital Partners Offshore LP can convert the Notes into the Company's share equity by serving an advance notice to the Company. The conversion price is the lower of \$0.65 or 95% of the lowest daily VWAP of the last 30 trading days prior to conversion date.

On 17 September 2007, the Company entered into a deed of variation with Cornell Capital Partners Offshore LP. The amended terms of the Note are:

- The conversion prices are fixed at \$0.13 and GBP0.054 in respect of shares in the Company listed on the Australian Stock Exchange and AIM Exchange respectively;
- If on the first day of every month from 1 October 2007 until the loan amount is fully repaid, the average VWAP for the shares immediately prior to that day is less than 105% in respect of either conversion prices, the Company must make a repayment of USD87,500.

The convertible notes are presented in the Balance Sheet as follows:

	CONSOLIDATED GROUP \$	PARENT ENTITY \$
Balance at 1 January 2007	1,982,858	1,982,858
Repayment by way of issue of ordinary shares in the company as a result of conversion of notes	(919,776)	(919,776)
Repayments	(627,161)	(627,161)
Interest expense*	676,063	676,063
Foreign currency translation difference	(215,302)	(215,302)
Balance at 31 December 2007	896,682	896,682
Repayments	(1,261,754)	(1,261,754)
Interest expense*	609,055	609,055
Foreign currency translation difference	224,727	224,727
Balance at 31 December 2008 **	468,710	468,710

* Interest expense is calculated by applying the effective interest rate against the liability, and includes amortisation of borrowing costs and fixed interest of 7.95% per annum (2007: 7.95% per annum) paid monthly.

** The fair value of the embedded derivative at 31 December 2008 has not been separately disclosed from the Note as its value was not material.

Security pledged

The convertible notes are secured by a fixed and floating charge over all the assets and undertakings of e-pay Asia Limited, both present and future, including its uncalled and called but unpaid capital and premiums on capital.

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Note 21. Issued Capital

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Ordinary shares	11,574,387	11,574,387	86,709,595	86,709,595
Shareholder equity contribution	451,000	451,000	451,000	451,000
Value of conversion rights on convertible notes	138,300	138,300	138,300	138,300
Total Issued Capital	12,163,687	12,163,687	87,298,895	87,298,895

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(a) Refer to (i) below

Movements in issued ordinary shares for the financial year

	No. of shares	31 December 2008 Consolidated \$	Company \$	No. of shares	31 December 2007 Consolidated \$	Company \$
Opening balance	281,656,343	11,574,387	86,709,595	204,430,568	10,597,877	71,233,085
Issued during the period (i)	-	-	-	77,225,775	976,510	15,476,510
Closing balance	281,656,343	11,574,387	86,709,595	281,656,343	11,574,387	86,709,595

Movements in Ordinary Share Capital

	No. of shares	Company Issue price \$	\$
01/01/2008 Opening balance	281,656,343		86,709,595
31/12/2008 Balance 31 December	281,656,343		86,709,595

There were no movement in issued capital during the financial year.

(i) The purchase by the company in 2005 of 100% interest in e-pay Asia Holdings Limited was by way of a deferred consideration payable of \$14,500,000 to be settled by the issue of ordinary shares in e-pay Asia Limited. A total of 72,500,000 shares were issued on 16 April 2007 in connection with this deferred consideration.

Share options on issue at balance date are as follows:

Date options granted	Expiry date	Exercise price of shares	Number under option
12 December 2002 (i)	11 December 2009	\$3.15	357,143
28 August 2004 (i)	27 August 2009	\$1.93	23,810
		Total	380,953

(i) Options granted under Employee Option Plan – totalling 380,953. Further details of the Employee Option Plan are contained in Note 32 to the financial statements.

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Shares issued on the exercise of options

No ordinary shares of e-pay Asia Limited were issued during the financial year ended 31 December 2008 (2007: 283,670 shares) on the exercise of options granted by e-pay Asia Limited. No amounts are unpaid on any of the shares.

Standby equity distribution agreement

A standby equity distribution agreement was entered into between the Company and Cornell Capital Partners Offshore LP dated 11 November 2004 under which Cornell Capital Partners Offshore LP may be required at any time during a period of twenty four months commencing on admission onto the AIM in the United Kingdom, and subject to the satisfaction of various conditions, at the election of the Company by serving an advance notice, to subscribe for Ordinary Shares at a price of ninety four per cent of the lowest closing bid price of the Ordinary Shares on AIM during the five consecutive trading day period following the election of the Company. The commitment limit of Cornell Capital Partners Offshore LP under this facility agreement is a total aggregate subscription amount of £6,000,000, with a maximum amount in any nine day trading period of £350,000 or the remaining unsubscribed amount under the facility (whichever is lower) and a maximum holding at any time of 2.99% of the entire issued ordinary share capital of the Company.

No subscriptions under this agreement can be made until the secured loans from Cornell Capital Partners Offshore LP referred to in Note 20 (c) are repaid in full.

This standby equity distribution agreement was extended until 28 February 2010.

The Company delisted from AIM on 30 September 2008

Capital Management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio not exceeding 2.0 at any time. The gearing ratio for the year ended 31 December 2008 and 31 December 2007 are as follows:

	Note	CONSOLIDATED GROUP		PARENT ENTITY	
		2008 \$	2007 \$	2008 \$	2007 \$
Total borrowings and payables	17, 20	20,039,924	20,059,059	3,475,583	3,092,845
Less cash and cash equivalents	7	(11,994,673)	(13,367,423)	(1,747,441)	(1,540,555)
Net borrowings and payables		8,045,251	6,691,636	1,728,142	1,552,290
Total equity		11,096,517	12,474,198	9,383,071	45,481,989
Total capital		19,141,768	19,165,834	11,111,213	47,034,279
Gearing ratio		42%	35%	15%	3%

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Note 22. Accumulated Losses and Reserves

(a) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

(b) Share-Based Payment Reserve

The share-based payment reserve records items recognised as expenses on vesting of employee share options, and options issued in connection with financing arrangements.

(c) Financial Assets Reserve

Changes in the fair value of financial assets, such as equities, classified as available-for-sale assets are taken to the financial assets reserve.

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Movements				
<i>Foreign currency translation reserve</i>				
Balance at the beginning of the year	(377,512)	(23,441)	-	-
Currency translation differences arising during the year	1,214,256	(354,071)	-	-
Balance at end of the year	836,744	(377,512)	-	-
<i>Share-Based Payment Reserve</i>				
Balance at the beginning of the year	1,535,374	1,535,374	1,919,216	1,919,216
Options issued in connection with financing arrangements	-	-	-	-
Balance at end of the year	1,535,374	1,535,374	1,919,216	1,919,216
<i>Investment revaluation reserve</i>				
Balance at the beginning of the year	(90,663)	(48,496)	(90,663)	(48,496)
Revaluation of available-for-sale financial assets arising during the year	(32,680)	(42,167)	(32,680)	(42,167)
Balance at end of the year	(123,343)	(90,663)	(123,343)	(90,663)
Total reserves	2,248,775	1,067,199	1,795,873	1,828,553
<i>Accumulated losses</i>				
Balance at beginning of the year	(3,096,786)	(522,818)	(43,645,459)	(43,756,989)
(Loss)/profit for the year	(4,356,925)	206,287	(36,066,238)	2,891,786
Interim dividend	-	(2,780,256)	-	(2,780,256)
Balance at end of the year	(7,453,711)	(3,096,786)	(79,711,697)	(43,645,459)

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Note 23. Commitments

(a) Operating lease expenditure contracted for is payable as follows:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Not later than one year	104,529	171,290	69,626	84,476
Later than one year and not later than five years	56,640	132,802	48,656	118,325
	161,169	304,092	118,282	202,801

Operating leases are entered into as a means of acquiring access to office facilities. Rental payments are fixed. No operating leases contain restrictions on financing or other leasing activities.

(b) Hire purchase and finance lease commitments

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Minimum hire purchase and lease payments				
- not later than one year	12,501	9,748	-	-
- later than one year and not later than five years	-	10,357	-	-
	12,501	20,105	-	-
Future finance charges	(368)	(1,005)	-	-
Present value of hire purchase and lease payables	12,133	19,100	-	-
Current:				
- not later than one year	9,017	9,063	-	-
Non-current				
- later than one year and not later than five years	3,116	10,037	-	-
	12,133	19,100	-	-

The hire purchase and lease payables were subject to an effective interest rate at the balance sheet date of 5.58% (2007: 4.91%) per annum.

The finance lease payables are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Net book value of plant and equipment acquired under hire purchase and lease terms are \$26,383 (2007: \$38,509).

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Note 24. Notes to the Statement of Cash Flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and deposits at call. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the Balance Sheet in Note 7

(b) Reconciliation of cash flow from operations with (loss)/profit after income tax

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
(Loss)/ profit after income tax	(2,962,966)	708,159	(36,066,238)	2,891,786
Non cash flows in (loss)/profit:				
- Depreciation & amortisation	1,820,784	2,084,298	-	-
- Impairment of goodwill	-	928,501	-	-
- Impairment of trade receivables	174,489	149,022	-	-
- Impairment of receivables from controlled entities	-	-	3,145,674	1,053,259
- Impairment of investment in controlled entities	-	-	31,780,310	-
- Loss on disposal of plant and equipment	-	5,371	-	-
- Impairment of plant and equipment	1,590,436	618,329	-	-
- Impairment of convertible notes	2,748,000	-	-	-
- Amortisation of borrowing cost	609,055	456,792	609,055	456,792
- Non cash other income	-	-	-	(1,260,968)
- Non cash interest income	(124,000)	(124,000)	-	(113,753)
- Non cash operating expenses	-	-	-	(419,647)
- Foreign exchange differences	224,727	(215,302)	339,860	(215,302)
- Other reconciling items	(5,627)	(13,567)	-	-
Changes in assets and liabilities:				
Increase/ (decrease) in liabilities:				
- Payables	(960,892)	(115,704)	694,207	(23,025)
- Tax liabilities	10,945	(17,901)	-	-
- Provisions	(83,742)	(120,183)	(83,742)	(120,183)
(Increase)/decrease in assets:				
- Receivables	(354,764)	8,219,056	(20,422)	88,039
- Prepaid airtime	(4,787,830)	1,900,669	-	-
Net operating cash (outflows)/inflows	(2,101,385)	14,463,540	398,704	2,336,998

(c) Acquisition of Controlled entities

Summary of acquisitions

There were no acquisitions of controlled entities in the 2008 or 2007 financial year.

(d) Disposal of controlled entities

There were no disposals of controlled entities in the 2008 financial year.

The Company's subsidiary, Mobiepay DOO was liquidated on 15 August 2007 and Smart Apartments Pty Ltd was deregistered on 13 June 2007.

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Note 25. Related Party Disclosures

A) Key Management Personnel Disclosures

(i) The following persons were directors of e-pay Asia Limited during the financial period:

Chairman – non - executive

Jack Tan

John Croft (Resigned on 17 October 2008)

Executive directors

Simon Loh

Chih Ming Yap

Yin Ching Wong (Resigned on 17 October 2008)

Dato' Hassan (Resigned on 21 February 2008)

Non-executive director

James Huey

(ii) Other Key Executive

Eng Sun Sam, Chief Technology Officer

B) Key management personnel compensation policy

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework provides for a mix of fixed and variable pay.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. The fees paid to non-executive directors are inclusive of committee fees.

Non-executive directors' fees and payments are reviewed annually by the Board and comprise a fixed pay component only.

Key Management (Executive) Personnel

The executive management pay and reward framework has four components

- Base pay and benefits
- Bonuses
- Post employment benefits
- Share based payments

The combination of these comprises the executive's total remuneration.

Base pay and benefits

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. There is no guaranteed base pay increases included in any key management employee's contract.

Key management employees receive benefits including car allowances.

Bonuses

Bonuses are paid to individual key management personnel at the discretion of the Chief Executive Officer and the Board of Directors.

Post employment benefits

Post employment benefits representing statutory entitlements are delivered to the superannuation fund of the key management personnel.

Share based payments

Information on e-pay Asia Limited employee option plan is set out in Note 30 to the financial statements.

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C) Key management personnel compensation

The aggregate compensation made to the key management personnel of the Company and the Group is set out below:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Short term	661,812	890,825	213,052	257,072
Post employment	62,714	87,257	-	11,207
Termination benefits	-	128,205	-	128,205
Total	724,526	1,106,287	213,052	396,484

Key management personnel remuneration has been included in the Remuneration Report contain in the Directors Report

D) Options holdings

The numbers of options held during the financial year by each key management person of the consolidated entity, including their personally related entities are set out below:

2008

Name	Balance at start of year	Granted during the year	Lapsed during the year	Exercised during the year	Balance at year-end
John Croft*	500,000	-	500,000	-	-
Simon Loh	-	-	-	-	-
Dato' Hassan	1,000,000	-	1,000,000	-	-
Yin Ching Wong	850,000	-	850,000	-	-
Chih Ming Yap	700,000	-	700,000	-	-
Jack Tan	-	-	-	-	-
James Huey	-	-	-	-	-
Eng Sun Sam	800,000	-	800,000	-	-
	3,850,000	-	3,850,000	-	-

2007

Name	Balance at start of year	Granted during the year	Lapsed during the year	Exercised during the year	Balance at year-end
Jonathan Soon	616,020	-	(411,258)	-	204,762
Michael Lee	-	-	-	-	-
John Croft*	500,000	-	-	-	500,000
Simon Loh	-	-	-	-	-
Dato' Hassan	1,000,000	-	-	-	1,000,000
Yin Ching Wong	850,000	-	-	-	850,000
Chih Ming Yap	700,000	-	-	-	700,000
Jack Tan	-	-	-	-	-
James Huey	-	-	-	-	-
Eng Sun Sam	800,000	-	-	-	800,000
	4,466,020	-	(411,258)	-	4,054,762

All of the above options had vested and were exercisable at the start of the 2006 year.

* The options were acquired by John Croft from a third party option holder during the year for \$0.15 per option. The options are exercisable at \$0.20 and expire on 31 December 2008. These options were originally issued to the third party on 23 December 2005 in connection with services provided in respect of the Prospectus issued by the Company in December 2005.

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E) Shareholdings

The numbers of shares held during the financial year by each key management person of the consolidated entity, including their personally related entities are set out below:

2008

Name	Balance at start of year	On exercise of options	Other changes during the year	Balance at Year-end
John Croft	202,415	-	1,571,429	1,773,844
Yin Ching Wong	9,621,000	-	200,000	9,821,000
Chih Ming Yap	319,230	-	150,000	469,230
Simon Loh	115,660,830	-	634,164	116,294,994
Jack Tan	-	-	393,361	393,361
James Huey	-	-	300,000	300,000
Dato' Hassan	21,284,750	-	-	21,284,750
Eng Sun Sam	237,085	-	-	237,085

2007

Name	Balance at start of year	On exercise of options	Other changes during the year	Balance at Year-end
Jonathan Soon	38,360	-	-	38,360
Michael Lee	9,525	-	-	9,525
John Croft	102,415	-	100,000	202,415
Simon Loh	79,285,830	-	36,375,000	115,660,830
Dato' Hassan	14,034,750	-	7,250,000	21,284,750
Yin Ching Wong	7,297,500	-	2,323,500	9,621,000
Chih Ming Yap	210,480	-	108,750	319,230
Jack Tan	-	-	-	-
James Huey	-	-	-	-
Eng Sun Sam	308,335	-	(71,250)	237,085

F) Transactions with key management personnel

The following transactions occurred between subsidiaries of the Company and related entities of key management personnel:

i) Amount owing to related parties of key management personnel:

	2008 \$	2007 \$
Current:		
- Orion Gateway Sdn Bhd	88,750	198,324
	88,750	198,324

Name	Balance at the beginning of the year \$	Interest charged \$	Repayment during the year \$	Balance at the end of the year \$
Orion Gateway Sdn Bhd	198,324	-	109,574	88,750

Notes to the Financial Statements

for the year ended 31 December 2008

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Related Party of key management personnel	Relationship
Orion Gateway Sdn Bhd ("OGSB")	Company in which Simon Loh has substantial financial interests
Telemas Corporation Sdn Bhd ("TCSB")	Company in which Simon Loh has substantial financial interests
e-pay Gateway Sdn Bhd ("EPG")	Company in which Simon Loh and Dato' Hassan have substantial financial interests
Coin Equities Pty Limited ("CE")	Company in which Jack Tan has a financial interest
Croft International Partners Ltd ("CIP")	Company in which John Croft has substantial financial interests

ii) Other transactions with related parties of key management personnel.

These transactions have been entered into under terms that were mutually agreed between the parties.

	2008 \$	2007 \$
Expenses charged to the income statement:		
- company secretarial fees paid to CE	-	40,000
- reimbursement of rental paid to CE	4,000	24,000
- loan interest paid to OGSB	-	3,775
- transaction fees to EPG	13,972	13,417
- rental paid to TCSB	90,355	87,895
- Consultation fee paid to CIP	120,000	-

No other agreements to indemnify directors, offices or auditors have been entered into, nor have any payments in relation to indemnification been made, during or since the end of the financial year, by the Company.

G) Transactions with other related parties

Transactions between e-pay Asia Limited and other entities in the Group include the advance of loan funds to and from group entities. All loans/advances were made on an unsecured, at call and interest free basis, except for an advance amount of \$400,000 (2007: \$1,000,000) (included in Note 8) which is subject to interest at a rate of 8% and is repayable within 12 months of balance date. Amounts of other outstanding Receivable and Payable balances at year end are shown in Notes 8 and 17 respectively.

During the year, e-pay Asia Limited charged e-pay (M) Sdn Bhd a guarantee fee in connection with corporate guarantee provided in respect of bank borrowings by e-pay (M) Sdn Bhd. The guarantee fee is charged at 1.5% per annum on the total amount guaranteed at the end of the month. Total fee income charged during the year was \$314,989 (2007: \$355,330).

Notes to the Financial Statements

for the year ended 31 December 2008

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Note 26. Remuneration of Auditors

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity and its related parties:

	CONSOLIDATED GROUP		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Assurance Services				
<i>Deloitte Touche Tohmatsu</i>				
- Audit and review of financial reports -2007	-	155,000	-	155,000
<i>DTT NSW</i>				
- Audit and review of financial reports - 2006	-	48,200	-	48,200
<i>Hall Chadwick</i>				
- Audit and review of financial reports-2008	80,822	-	80,822	-
<i>Horwath Kuala Lumpur</i>				
- Audit and review of financial reports of certain entities in the Group	23,306	32,312	-	-
Total remuneration for assurance services	104,128	235,512	80,822	203,200
Taxation Services				
<i>Hall Chadwick</i>				
- Tax compliance services	13,450	-	13,450	-
<i>Deloitte Touche Tohmatsu</i>				
- Tax compliance services	-	4,620	-	4,620
<i>DTT NSW</i>				
- Tax compliance services	-	-	-	-
- International tax consulting	-	-	-	-
Total remuneration for taxation services	13,450	4,620	13,450	4,620
Advisory Services				
Sundry accounting advisory services				
- <i>Deloitte Touche Tohmatsu</i>	-	-	-	-
- <i>DTT NSW</i>	-	11,734	-	11,734
- Hall Chadwick	6,464	-	6,464	-
Total remuneration for advisory services	6,464	11,734	6,464	11,743

As a result of the merger of DTT NSW (formerly Horwath Sydney Partnership) with Deloitte Touche Tohmatsu ("Deloitte"), the Partners of DTT NSW (formerly Horwath Sydney Partnership) joined the Australian partnership of Deloitte on 1 February 2007.

Note 27. Financial Risk Management

The Board of Directors recognises the importance of financial risk management in the overall management of the Group's business. A sound risk management system will not only mitigate financial risks but will be able to create opportunities if risk elements are properly managed.

The Group's overall financial risk management objectives are to ensure that the Group creates value for its shareholders while minimising potential adverse effects on the performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies set out as follows:-

Notes to the Financial Statements

for the year ended 31 December 2008

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(a) Foreign Currency Exchange Risk

The Group is exposed to foreign exchange risk as a result of the foreign currency denominated transactions entered into by the Group during the course of business. The currencies involved are primarily the United States Dollar ("US Dollar"), Malaysian Ringgit and Indonesian Rupiah and Thai Baht. The Group carries out reviews periodically to ensure that the net exposure is kept at an acceptable level. The Group does not use derivative financial instruments to hedge this risk.

Group Sensitivity

Based on the financial instruments held at 31 December 2008, had:

- i) the Australian dollar weakened/strengthened by 10% against the US Dollar, the Group's net profit will change by \$35,000 (2007: \$175,000) mainly as a result of the foreign exchange difference arising from the translation of the US denominated convertible loan note principal and interest payments.
- ii) the Australian dollar weakened/strengthened by 10% against the Malaysian Ringgit and the Indonesian Rupiah, the Group's foreign currency translation reserve will change by \$1,016,000 (2007: \$569,000) mainly as a result of the foreign exchange difference arising from the translation of the financial statements of the Group's overseas subsidiaries which are stated in functional currencies other than the presentation currency.

Parent Sensitivity

Based on the financial instruments held at 31 December 2008, had the Australian dollar weakened/strengthened by 10% against the US Dollar, the Company's net profit will change by \$35,000 (2007: \$175,000) mainly as a result of the foreign exchange difference arising from the translation of the US denominated convertible loan note principal and interest payments.

(b) Interest Rate Risk

The Group's exposure to interest rate risk for changes in interest rates is related primarily to the Group's cash deposits placed with licensed banks and bank borrowings. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arising from the Group's borrowings is managed through a mix of fixed and floating rates debts. The Group does not use derivative financial instruments to hedge this risk.

Group Sensitivity

Based on the financial instruments held at 31 December 2008, had interest rates increased/decreased by 100 basis points, the Group's net profit will change by \$80,670 (2007 : \$13,000).

Parent Sensitivity

Based on the financial instruments held at 31 December 2008, had interest rates increased/decreased by 100 basis points, the Company's net profit will change by \$5,000 (2007: \$15,000).

(c) Market Risk

The Group's exposure to market risk is minimal and arises mainly from fluctuations in the cost of PINs. The Group manages this risk by entering into purchase contracts at a pre-determined fixed price.

(d) Credit Risk

Credit risk, which is the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit evaluations are performed on customers requiring credit exceeding a certain amount and by limiting the Group's business associations to parties with high credit worthiness. Trade receivables are monitored on an ongoing basis to ensure that the Group's exposure to credit risk is limited.

(e) Liquidity and Cash Flow Risks

The Group actively manages its operating cash flows and debt maturity profile so as to ensure that all commitments and funding needs are met. As part of the overall liquidity management, it is the Group's policy to ensure continuity in servicing its future cash obligations by forecasting its cash commitments and maintaining a sufficient level of cash and cash equivalents to meet its working requirements. In addition, the Group maintains sufficient banking facilities to meet its operational needs.

Notes to the Financial Statements

for the year ended 31 December 2008

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December 2008	Floating interest rate \$	Fixed interest rate \$	Non interest bearing \$	Total \$	
Financial assets					
Cash and cash equivalents	3,634,376	8,360,297	-	11,994,673	Note 7
Loans	-	-	-	-	Note 9
Receivables	-	-	3,342,747	3,342,747	Note 8
	3,634,376	8,360,297	3,342,747	15,337,420	
Financial liabilities					
Payables	-	-	6,016,331	6,016,331	Note 17
Loans	13,542,750	468,710	-	14,011,460	Note 20(b),(c)
Leases	-	12,133	-	12,133	Note 23(b)
	13,542,750	480,843	6,016,331	20,039,924	

December 2007	Floating interest rate \$	Fixed interest rate \$	Non interest bearing \$	Total \$	
Financial assets					
Cash and cash equivalents	4,768,442	8,598,981	-	13,367,423	Note 7
Loans	-	2,376,000	-	2,376,000	Note 9
Receivables	-	-	3,141,979	3,141,979	Note 8
	4,768,442	10,974,981	3,141,979	18,885,402	
Financial liabilities					
Payables	-	-	7,078,777	7,078,777	Note 17
Loans	12,064,500	896,682	-	12,961,182	Note 20(b),(c)
Leases	-	19,100	-	19,100	Note 23(b)
	12,064,500	915,782	7,078,777	20,059,059	

The carrying amounts of financial assets and financial liabilities approximate the estimated fair value of those financial assets and financial liabilities. The net fair value of a financial asset or financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs.

Notes to the Financial Statements

for the year ended 31 December 2008

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Note 28. Segment Information

Business Segments

The consolidated entity is organised on a global basis into the following divisions by product and service type.

Prepaid top-up services

The prepaid top-up business segment is principally engaged in the distributorship of various prepaid services, including mobile phone airtime and diesel.

Software Solutions

The software solutions business segment is principally involved in the provision of software solutions to customers including software licences, customisation and installation of software, and the provision of ongoing software maintenance services.

Corporate

The corporate segment covers all corporate matters relating to the publicly listed company, including public relations, finance, stock exchange, audit, company secretarial etc.

Geographical Segments

Although the Group divisions are managed on a global basis they operate in two main geographical areas:

- Australia
The home country of the company. The Group does not operate but only maintains its corporate office in Australia.
- Asia
Comprises prepaid mobile phone top-up services in Malaysia, Indonesia, Thailand and Pakistan, prepaid diesel top-up services in Malaysia, and software solutions business throughout the Asian region. In 2007, the Group ceased its prepaid mobile phone-top-up services in Indonesia.

Notes to the Financial Statements

for the year ended 31 December 2008

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Business Segment Information 2008

Segment revenue	Prepaid Top-up 2008 \$	Software Solutions 2008 \$	Corporate/ unallocated 2008 \$	Total 2008 \$
Sales to external customers	9,907,613	72,813	204,965	10,185,391
Other income	4,842	-	21,746	26,588
Total revenue	9,912,455	72,813	226,711	10,211,979
Segment result	3,507,876	(2,177,397)	(4,241,004)	(2,910,525)
Loss from ordinary activities before related income tax expense				(2,910,525)
Income tax benefits				(52,441)
Net loss				(2,962,966)
Segment assets	29,431,064	11,027	1,915,780	31,357,871
Segment liabilities	19,226,952	1,729	1,032,673	20,261,354
Acquisition of plant and equipment and intangibles	437,757	-	-	437,757
Depreciation and amortisation expenses	1,229,905	566,107	24,772	1,820,784
Other non-cash expenses	-	-	876,004	876,004

Business Segment Information 2007

Segment revenue	Prepaid Top-up 2007 \$	Software Solutions 2007 \$	Corporate/ unallocated 2007 \$	Total 2007 \$
Sales to external customers	10,766,259	2,569,379	-	13,335,638
Other revenue	578,064	-	364,679	942,743
Total revenue	11,344,323	2,569,379	364,679	14,278,381
Segment result	1,368,397	971,983	(1,283,349)	1,057,031
Profit from ordinary activities before related income tax expense				1,057,031
Income tax expense				(348,872)
Net profit				708,159
Segment assets	26,462,827	2,110,814	4,308,362	32,882,003
Segment liabilities	18,620,578	70,000	1,717,227	20,407,805
Acquisition of plant and equipment and intangibles	779,454	-	-	779,454
Depreciation and amortisation expenses	1,523,291	561,007	-	2,084,298
Other non-cash expenses	-	-	536,792	536,792

Notes to the Financial Statements

for the year ended 31 December 2008

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Geographical Segment Information

2008	Revenue from External Customers 2008 \$	Segment Assets 2008 \$	Acquisition of Segment Assets 2008 \$
Australia	226,711	1,915,781	-
Asia	9,985,268	29,442,090	437,757
Total	10,211,979	31,357,871	437,757

2007	Revenue from External Customers 2007 \$	Segment Assets 2007 \$	Acquisition of Segment Assets 2007 \$
Australia	364,679	4,308,362	-
Asia	13,913,702	28,573,641	779,454
Total	14,278,381	32,882,003	779,454

Note 29. Earnings Per Share:

	Consolidated 31 December 2008	Consolidated 31 December 2007
Basic earnings per share (cents per share)	(1.55)	0.08
Diluted earnings per ordinary share (cents per share)	(1.55)	0.08
(a) Number of ordinary shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	281,656,343	258,515,950
Weighted average numbers of ordinary shares used in the calculation of diluted earnings per share	281,656,343	258,515,950
(b) Earnings		
Earnings used in the calculation of basic earnings per share	(4,356,925)	206,287
Earnings used in the calculation of diluted earnings per share	(4,356,925)	206,287

Notes to the Financial Statements

for the year ended 31 December 2008

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Note 30. Subsequent Year-end Events

On 21st January 2008, the Company consolidated the number of shares on issued on the basis of 1 new share for every 10 old shares. All the references in this report (other than the post consolidation total below) to share are pre-consolidation.

Total number of issued ordinary shares post consolidation	28,165,160
Diluted weighted average number of issued ordinary shares post consolidation	28,165,160

No other matters or circumstances have arisen since 31 December 2008 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Note 31. Controlled Entities

The consolidated financial statements at 31 December 2008 include the following controlled entities of legal parent entity e-pay Asia Limited. The financial year end of all the controlled entities is the same as that of the legal parent entity.

Name of Controlled Entity	Place of Incorporation	% of Shares Held	
		December 2008	December 2007
e-pay Asia Holdings Limited	British Virgin Island	100.0	100.0
e-pay Asia Consulting Limited	British Virgin Island	100.0	100.0
e-pay (M) Sdn Bhd	Malaysia	60.0	60.0
PT e-pay Indonesia (i)	Indonesia	68.48	68.48
e-pay Thailand Co. Limited (i)	Thailand	29.7	29.7
Mobiepay Sdn Bhd	Malaysia	100.0	100.0
Mobiepay LLC	USA	100.0	100.0
SkyNetGlobal (South-East Asia) Pte Limited	Singapore	79.0	79.0
SkyNetGlobal Communications Pty Ltd	Australia	100.0	100.0
W Home Communications Pty Ltd	Australia	100.0	100.0
Mobiepay Pty Ltd (ii)	Australia	100.0	-
OGL Solutions Sdn Bhd (ii)	Malaysia	100.0	-

(i) These entities are consolidated since they are controlled by e-pay (M) Sdn Bhd.

(ii) These companies were incorporated in 2008.

Notes to the Financial Statements

for the year ended 31 December 2008

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Note 32. Employee Entitlements

(a) Employee option ownership schemes

At its discretion e-pay Asia Limited offers options over ordinary shares to employees. The exercise price of an option is the lesser of the price which is equal to the market value of shares calculated by reference to the weighted average of the prices at which shares were traded on the Australian Stock Exchange during the week before the date of the offer of options to the employee and a price determined by the Board at its discretion. Each employee option converts into one ordinary share of e-pay Asia Limited. No amounts are paid or payable by the recipient of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following employee share-based payment arrangements were in existence during the current and comparative prior reporting periods for the company.

Grant date	Expiry date	Exercise price of shares	Number under option at beginning of year	Number expired during 2008	Number exercised during 2008	Number under option at year end
12 December 2002	11 December 2009	\$3.15	357,143	-	-	357,143
10 June 2003	9 June 2008	\$1.68	1,786	1,786	-	-
28 August 2004	27 August 2009	\$1.93	23,810	-	-	23,810
25 November 2005	4 February 2008	\$0.19	300,000	300,000	-	-
30 December 2005	31 December 2008	\$0.20	6,963,575	6,963,575	-	-
			7,646,314	7,265,361	-	380,953

The weighted average exercise price of options during the year was \$0.20.

	Options	
	December 2008 '000	December 2007 '000
Balance at the beginning of the year ('000)	7,646	8,553
Total number issued to employees during the year ('000)	-	-
Expired ('000)	(7,265)	(623)
Exercised ('000)	-	(284)
Balance at the end of the year ('000)	381	7,646

No new options were issued to employees during the 2008 financial year.

Note 33. Contingent Liabilities

There are no contingent liabilities at the end of financial year.

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 18 to 61, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001: and
 - b. give a true and fair view of the financial position as at 31 December 2008 and the performance for the year ended on that date of the company and consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Simon Loh
Chief Executive Officer
Kuala Lumpur, 27 March 2009

Independent Audit Report

e-pay asia annual report 2008

 **Hall Chadwick**
Chartered Accountants & Business Advisers

e-pay Asia Limited
ABN 99 089 227 887
and controlled entities

Independent Auditor's Report to the Members of e-pay Asia Limited

Report on the Financial Report

We have audited the accompanying financial report of e-pay Asia Limited (the company) and e-pay Asia Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of e-pay Asia Limited on 27 March 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Sydney
Level 29
51 Martins Tower
31 Market Street
Sydney NSW 2000

GPO Box 3555
Sydney NSW 2001
or
DX 1451 Sydney

Telephone: (02) 9263 2600
Facsimile: (02) 9263 2800
Email: sydney@hallchadwick.com.au

Parramatta
Telephone: (02) 9687 2100
Facsimile: (02) 9687 2900

Penrith
Telephone: (02) 4721 8144
Facsimile: (02) 4721 8155

Melbourne
Telephone: (03) 9670 0969
Facsimile: (03) 9670 0217

Partners

Robert Elliott
Drew Townsend
David Kenney
Richard Albairon
Gino Malacco
Paul Leroy
Steven Gladman
Brent Kijurina
Blair Pleash

Associates

Graham Webb
Lyle Vollance
Bill Petrovski
David Ross

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Independent Audit Report

e-pay asia annual report 2008



e-pay Asia Limited
ABN 99 089 227 887
and controlled entities

Independent Auditor's Report to the Members of e-pay Asia Limited

Auditor's Opinion

In our opinion:

- a. the financial report of e-pay Asia Limited and e-pay Asia Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International financial Reporting Standards as disclosed in Note 1; and

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 13 of the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of e-pay Asia Limited for the year ended 31 December 2008 complies with section 300A of the Corporations Act 2001.

Hall Chadwick
Level 29, 31 Market St
Sydney NSW 2000

A handwritten signature in black ink, appearing to read 'Drew Townsend', written over a faint horizontal line.

DREW TOWNSEND
Partner
Date: 27 March 2009

Additional Stock Exchange Information

as at 24 March 2009

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Number of holders of equity securities

Equity securities include shares and options over unissued securities.

Ordinary share capital

28,165,160 fully paid ordinary shares are held by 1,911 individual shareholders.

On a show of hands, every ordinary shareholder present, in person or by proxy, attorney or representative, has one vote.

On a poll, every ordinary shareholder present has one vote for each fully paid share held.

Options

38,095 options are held by 3 individual option holders.

There are no voting rights attached to the options.

Substantial shareholders as at 24 March 2009

Shareholder	Shareholding	% Issued Capital
HSBC CUSTODY NOMINEES (AUST) LIMITED	12,459,315	44.24
BERNE NO 132 NOMINEES PTY LTD	2,128,575	7.56

Distribution of shareholders as at 24 March 2009

Shareholder	Fully Paid ordinary shares
1 – 1,000	1,255
1,001 – 5,000	359
5,001 – 10,000	122
10,001 – 100,000	152
100,001 and over	23
Total	1,911

The total number of shareholders holding less than a marketable parcel of 6,250 is 1,655 holding a total of 1,482,349 shares.

Additional Stock Exchange Information

as at 24 March 2009

Twenty Largest Shareholders

The names of the 20 largest holders of quoted ordinary shares as at 24 March 2009 were as follows

Shareholder	Shareholding	% Issued Capital
HSBC CUSTODY NOMINEES (AUST) LIMITED	12,459,315	44.24
BERNE NO 132 NOMINEES PTY LTD 461068 A/C	2,128,575	7.56
ANZ NOMINEES LIMITED CASH INCOME A/C	1,376,973	4.89
WONG YIN CHING	962,100	3.41
MAVCAP TECHNOLOGY SDN BHD	892,857	3.17
NATIONAL NOMINEES LIMITED	823,707	2.92
BELL IXL INVESTMENTS LTD	366,730	1.30
PRODUCTIVE NOMINEES LIMITED <7173901>	300,000	1.07
USB NOMINEES PRT LTD <TP00014 15 A/C >	262,589	0.93
PORTFOLIO CUSTODIAN LIMITED 022730 A/C	247,000	0.88
MR ANTHONY JOHN HAMILTON	234,285	0.83
PERSHING NOMINEES LIMITED <GWCLT>	196,070	0.70
MYLAR PTY LIMITED	170,000	0.60
BERNE NO 132 NOMINEES PTY LTD 469960 A/C	167,500	0.59
LYNCHWOOD NOM LTD <2006420>	157,292	0.56
HSBC CUSTODY NOMINEES (AUST) LIMITED- GSCO ECA	141,147	0.50
MR MARK JOHN MICHAEL DITCHFIELD	130,000	0.46
HSDL NOM LTD <IWEB>	122,871	0.44
CITICORP NOMINEES PTY LIMITED	117,664	0.42
ALBY AUSTRALIA PTY LTD	117,565	0.42
Total	21,374,240	75.89

e·pay·asia