

ULTRAPAY LIMITED
(formerly HLT Limited)

AND ITS CONTROLLED ENTITIES

ABN 80 003 007 163

HALF-YEAR FINANCIAL REPORT

PERIOD ENDED 31 DECEMBER 2006

ULTRAPAY LIMITED

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Your Directors submit their report for the half-year ended 31 December 2006.

DIRECTORS

The names of the Company Directors during the half-year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Michael Boyd	Chairman (appointed 18 December 2006, appointed Chairman 9 February 2007)
Thomas J R O'Brien AM	Non-Executive Director (resigned Chairman 9 February 2007)
Wens Brinkman	Managing Director (appointed Director 11 October 2006, appointed Managing Director 2 January 2007)
Byron Ko	Non-Executive Director
Adam Legg	Non-Executive Director (appointed 3 July 2006)
Ivan J Brookfield	Non-Executive Director (resigned 3 July 2006)
Maxwell A Crofts	Non-Executive Director (resigned 18 August 2006)
Kevin A Moran	Non-Executive Director (resigned 28 September 2006)

REVIEW AND RESULTS OF OPERATIONS

The consolidated group reported a net loss from continuing operations of \$5,154,029, compared with a loss of \$2,702,487 for the six months to 31 December 2005. The net loss attributable to members of Ultrapay Limited was \$5,154,029 compared with a loss of \$1,476,194 for the six months to 31 December 2005.

The major component of the loss was the provision for non-recovery for financial assets of \$2,350,366. Although the Company still intends to sell its shareholding in Chalmway Pty Ltd and its subsidiary, Ruhuna 2001 Multivision (Private) Ltd. (Sri Lanka), there is considerable uncertainty surrounding the recoverability of the investment in the current business environment. A provision for non-recovery of \$1,280,306 was provided against the investment. There is also uncertainty surrounding the recoverability the convertible loan to Telcogames Ltd (UK) and a provision for non-recovery of \$1,070,060 was provided against the book value.

The loss also included a fair value adjustment of \$928,400 to the convertible loan provided by Fulcrum Equity Limited (Fulcrum) (previously Quadrant Iridium Ltd) in accordance with Australian Accounting Standards, which require that financial liabilities are recorded at their fair value. This non-cash adjustment is not a permanent adjustment in the accounts until the loan is converted. On 21 November 2006, \$737,500 of the adjustment was crystallised on the issue of shares to Fulcrum. Of the total fair value adjustment, \$190,900 remains unrealised and may be reversed if the remaining loan is repaid in cash.

The loss also included a cost of \$756,297 to terminate the exclusive distribution licence for licenced taxis, mini-cabs and hire limousines in the United Kingdom. This was funded via a share and option issue approved by the shareholders at the Annual General Meeting on 11th January 2007.

A management fee of \$196,310 was paid to Fulcrum for the provision of offices, office and IT services and key personnel.

The above results exclude the operations of its Chalmway Pty Ltd which is the holding company for the Sri Lankan pay TV operations conducted through Ruhuna 2001 Multivision (Private) Ltd. As indicated in the Director's report accompanying the 30 June 2006 accounts, a significant part of the accounting records for the

ULTRAPAY LIMITED

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Sri Lankan operations had been destroyed. Although an external firm of accountants has been engaged to reconstruct the accounting records, they have still not been finalised to a stage that they can be audited as at 30 June 2006 or reviewed by the auditors at the current reporting date. Accordingly the Directors are of the opinion that it would not be appropriate to consolidate unaudited numbers for the half year.

The six months have seen significant changes to the composition of the board of directors and the management team of the Company, which also changed its name from HLT Limited to Ultrapay Limited at the annual meeting of shareholders in January 2007.

Fulcrum has become a significant shareholder in the company after converting \$3,687,500 loan to equity in the company, increasing their shareholding from approximately 13% of the Company to approximately 46%. The primary advantage to the Company of the issue of these shares to Fulcrum is that it enabled the Company to satisfy its obligation to repay its loan to Fulcrum without using its limited cash resources. With the delays in key projects and expected cash inflows, the loan has been an integral part of the Company being able to continue its business operations.

We are now focused on developing our mobile transact business and have during the year either reduced or disposed of entirely the Company's interests in many non-core activities and businesses.

The Company still expects to dispose of the majority of the balance of its holding in Telcogames and intends to retain a small holding in the Company by converting the balance of its loan to this company to equity.

In April 2005, the Company acquired control of Chalmway Pty Ltd which is the holding company for the Sri Lankan Pay TV operations. The Chalmway business has been challenging partly due to the deteriorating security situation, and partly due to issues of managing the legal challenges and enforcements of the Company's rights. The Company's former CEO, James Scobie, who still has responsibility for the Sri Lankan business has spent the majority of the past year in Sri Lanka, working in a difficult business environment, however, successfully running the Pay TV business with 100 staff and thousands of subscribers.

We are reviewing our strategy with regards to the future plans for this business, and our current intention is to dispose of this business in an orderly manner, and if possible, to realise some benefit from the disposal.

The company has a clear focus on the development, implementation and growth of the Mobile Transact business. The Company announced in August 2006 that it had terminated the distribution agreement with Mobile Automated Payments Pty Ltd in consideration for Ultrapay ordinary shares and options, which then enabled Ultrapay to establish the UK market in its own right. The major certifications that the Mobile Transact device requires to operate in the UK "Chip and Pin" market are now complete, and a full technical and commercial pilot is underway. Directors anticipate that this business will commence being deployed in the United Kingdom in 2007.

The Company is currently preparing a capital raising via a right's issue and is in negotiations with its major shareholder, Fulcrum Equity Limited, and other shareholders with respect to underwriting and sub-underwriting of the share issue. The Company will keep shareholders informed of developments as they occur.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the Corporations Act (2001) is attached on page 20.

Signed in accordance with a resolution of the directors



Michael Boyd
Chairman

Melbourne 28 February 2007

ULTRAPAY LIMITED

INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

		CONSOLIDATED	
	Notes	Dec 2006 \$	Dec 2005 \$
Continuing Operations			
Revenue from rendering of services		16,900	79,497
Finance revenue		729	1,091
Lease revenue		28,667	-
Unrealised foreign exchange gain		173,410	-
Other income		500	-
Total income		220,206	80,588
Finance costs		(114,823)	(81,811)
Employee benefits expense		(490,388)	(808,330)
Depreciation and amortization expense		(4,457)	(422,675)
Professional and consultancy fees		(190,050)	(679,855)
Provision for non-recovery of financial assets	6	(2,350,366)	-
Fair value adjustment to financial liabilities		(928,400)	-
Licence cancellation expense	4(b)	(756,297)	-
Management fee paid to related entity		(196,310)	-
Other expenses	4(a)	(343,144)	(790,404)
Profit / (loss) before income tax		(5,154,029)	(2,702,487)
Income tax expense		-	-
Profit / (loss) after income tax from continuing operations		(5,154,029)	(2,702,487)
Discontinued Operations			
Profit / (loss) after income tax from discontinued operations	4(c)	-	1,226,293
Net profit / (loss) for the period		(5,154,029)	(1,476,194)
(Profit) / loss attributable to minority interest		-	-
Net profit / (loss) attributable to members of the parent		(5,154,029)	(1,476,194)
Basic earnings per share (cents per share)		(5.6)	(2.3)
Basic earnings per share from continuing operations (cents per share)		(5.6)	(4.2)
Diluted earnings per share (cents per share)		(5.6)	(2.3)
Diluted earnings per share from continuing operations (cents per share)		(5.6)	(4.2)

ULTRAPAY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2006

		CONSOLIDATED	
	Notes	Dec 2006 \$	June 2006 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	183,427	23,505
Trade and other receivables		513,445	452,361
Other financial assets	6	1,089,592	3,434,935
Other current assets		4,965	5,525
Total current assets		1,791,429	3,916,326
Non-current assets			
Trade and other receivables		17,400	96,060
Property, plant & equipment	7	117,559	116,085
Intangibles	8	4,363,679	4,288,588
Total Non-current assets		4,498,638	4,500,733
TOTAL ASSETS		6,290,067	8,417,059
LIABILITIES			
Current liabilities			
Trade and other payables		1,800,745	3,025,765
Interest-bearing loans and borrowings	9	1,602,721	1,698,818
Provisions	10	67,500	217,500
Total Current liabilities		3,470,966	4,942,083
Non-current liabilities			
Trade and other payables		2,027,207	2,197,850
Total Non-current liabilities		2,027,207	2,197,850
TOTAL LIABILITIES		5,498,173	7,139,933
NET ASSETS		791,894	1,277,126
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	11	39,653,818	35,198,318
Reserves		213,297	-
Accumulated losses		(39,075,221)	(33,921,192)
Parent interests		791,894	1,277,126
TOTAL EQUITY		791,894	1,277,126

ULTRAPAY LIMITED

CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

		CONSOLIDATED	
	Notes	Dec 2006 \$	Dec 2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		46,067	851,065
Payments to suppliers and employees		(1,879,888)	(1,781,159)
Interest received		729	1,091
Borrowing costs paid		(26,829)	(3,734)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(1,859,921)	(932,737)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant & equipment		(5,931)	(26,664)
Payment for intangibles		(75,091)	(515,335)
Purchase of investment in controlled entities		-	(394,826)
Proceeds from disposal of assets classified as held for trading		167,771	-
Disposal of subsidiaries (net of cash disposed)		-	347,066
NET CASH FLOWS USED IN INVESTING ACTIVITIES		86,749	(589,759)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Employee Share Plan Loans		-	2,100
Proceeds from the issue of shares		-	2,200,000
Capital raising costs		-	(162,000)
Proceeds of loans from director-related entities		-	1,362,763
Repayment of loans from director-related entities		-	(350,000)
Loans to Ruhuna Multivision		-	(1,551,882)
Loans from Fulcrum Equity Limited		1,933,094	-
Proceeds from borrowings		-	262,188
NET CASH PROVIDED BY FINANCING ACTIVITIES		1,933,094	1,763,169
NET INCREASE IN CASH		159,922	240,673
CASH AT THE BEGINNING OF THE PERIOD		23,505	237,761
CASH AT THE END OF THE PERIOD	5	183,427	478,434

ULTRAPAY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED	Contributed Equity \$	(Accumulated Losses) \$	Reserves \$	Minority interest \$	Total Equity \$
As at 1 July 2005	29,273,673	(21,321,057)	-	(20,159)	7,932,457
Transaction cost of share issue	(162,000)	-	-	-	(162,000)
Loss for the half-year	-	(1,476,194)	-	-	(1,476,194)
Total income (expense) for the half-year	(162,000)	(1,476,194)	-	-	(1,638,194)
Shares acquired by minority interest	-	-	-	20,159	20,159
Capital raising	5,996,435	-	-	-	5,996,435
As at 31 December 2005	35,108,108	(22,797,251)	-	-	12,310,857
As at 1 July 2006	35,198,318	(33,921,192)	-	-	1,277,126
Loss for the half-year	-	(5,154,029)	-	-	(5,154,029)
Total income (expense) for the half-year	-	(5,154,029)	-	-	(5,154,029)
Capital raising	4,455,500	-	-	-	4,455,500
Issue of options	-	-	213,297	-	213,297
As at 31 December 2006	39,653,818	(39,075,221)	213,297	-	791,894

ULTRAPAY LIMITED

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

1. CORPORATE INFORMATION

The financial report of Ultrapay Ltd (the Company) for the half-year ended 31 December 2006 was authorized for issue in accordance with a resolution of directors on 27 February 2007. Ultrapay Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in note 16.

2. GOING CONCERN

The consolidated entity has a net current liability position of \$1,679,537 as at 31 December 2006 (2005: net current liability position of \$1,205,757). The consolidated entity incurred an operating loss after income tax of \$5,154,029 (2005: \$1,476,194 loss).

To assist the consolidated entity's ability to continue as a going concern and meet its debts as and when they fall due, on 3 July 2006 the Company signed a convertible Loan Agreement with Fulcrum Equity Limited (Fulcrum) (previously Quadrant Iridium Ltd) for \$4 million, which included assignment of the loan from specific director of \$1,450,000 and the availability of additional funding of \$2,550,000. There was \$286,318 available under this facility as at 31 December 2006.

Although the Company has fully provided for its investment in Chalmway Pty Ltd and Ruhuna 2001 Multivision (Private) Ltd (Sri Lanka), given the uncertainty on concluding a sale transaction in the current environment, the Company still intends to sell its shareholding and expects to extract some shareholder value.

The Company's investment in Telcogames Ltd is being actively marketed and a sale is expected within the next 6 months. The company also expects to start producing revenues from the commercialisation of the Mobile Transact product during the next 12 months.

The Company intends to raise \$1,992,307 via a 1 for 4 non-renounceable rights issue of fully paid ordinary shares in March 2007. It is Fulcrum's current intention to fully underwrite this rights issue.

Whilst the company forecasts it will have sufficient funding to continue for the next 12 months this will be dependent upon the successful rights issue and the timing and amounts produced by the asset sales and commercialisation activities. However, if unsuccessful, significant uncertainty would exist as to whether the parent company and/or the consolidated entity would continue as going concerns. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and/or consolidated entity not continue as going concerns.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Ultrapay Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Ultrapay Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

ULTRAPAY LIMITED

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

(a) Basis of Preparation and Statement of Compliance

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, which includes applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on the basis of historical cost, except held for trading financial investments and financial liabilities which have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year-ended 30 June 2006. There has been no impact to the consolidated entity for the Australian Accounting Standards and UIG interpretations that have recently been amended and are effective from 1 July 2006.

(c) Basis of consolidation

The half-year financial report comprise the financial statements of Ultrapay Limited and all of its controlled entities other than Chalmway Pty Limited and Ruhuna 2001 Multivision (Pvt) Limited ("Ruhuna Group"). The Ruhuna Group continues to remain unconsolidated as financial records which were destroyed prior to taking control of the group are still being reconstructed and audited.

	Dec 2006	Dec 2005
	\$	\$
4. REVENUE AND EXPENSES		
(a) Other expenses		
Cost of services rendered	1,858	4,114
Administration expenses	67,894	82,506
Rental expenses on operating leases	72,740	148,181
Traveling expenses	56,462	118,786
Bad and doubtful debts	3,449	260,000
Product development expensed	88,201	-
Other expenses	52,540	176,817
	<u>343,144</u>	<u>790,404</u>

ULTRAPAY LIMITED

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

(b) Licence cancellation expense

The consolidated entity entered an arrangement with Mobile Automated Payments Pty Ltd effective 16 August 2006, to cancel the exclusive licence for taxis, licenced mini-cabs and limousine hire in the United Kingdom in return for the issue of 6,033,333 shares at \$0.09 and the issue of 6,033,333 options with a strike price of \$0.10 due for expiry at 31 August 2008, subject to the meeting of certain conditions. As at 31 December 2006, not all conditions had been met and 1,998,681 options were cancelled effective 31 December 2006. The licence cancellation expense of \$756,297 represents a share based payment of the shares of \$543,000 and the fair value of the remaining 4,034,652 options of \$213,297.

	Notes	Dec 2006 \$	Dec 2005 \$
(c) Discontinuing operations			
<i>Income and Expenses from Discontinuing Operations</i>			
Revenue			
Provision of services		-	1,501,974
Government grants		-	3,300
Profit from disposal of controlled entities		-	759,116
Profit upon deconsolidation of subsidiary upon loss of control	13(b)	-	720,536
		-	2,984,926
Expenses			
Finance costs		-	4,697
Depreciation and amortization		-	23,098
Employee benefit expense		-	521,172
Professional and consulting fees		-	36,185
Cost of rendering service		-	993,950
Administration expenses		-	56,956
Bad and doubtful debts		-	12,417
Rental expenses on operating leases		-	23,035
Traveling expenses		-	51,625
Other expenses		-	35,498
		-	1,758,633
Income tax expense		-	-
Profit/(loss) after income tax from discontinued operations		-	1,226,293

(d) Seasonality of Operations

The consolidated entity does not typically experience seasonality in relation to demand for its products and services.

ULTRAPAY LIMITED

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Dec 2006 \$	June 2006 \$
5. CASH AND CASH EQUIVALENTS		
For the purpose of the half-year condensed cash flow statement, cash and cash equivalents are comprised the following:		
Cash at bank and in hand	15,656	23,505
Cash in transit	167,771	-
	<u>183,427</u>	<u>23,505</u>

6. OTHER FINANCIAL ASSETS

	Dec 2006 \$	June 2006 \$
Assets classified as held for trading	1,089,592	1,089,592
Convertible loan with Telcogames Ltd	1,070,060	1,065,037
Provision for non-recovery (i)	(1,070,060)	-
Shares held in Chalmway Pty Ltd	1,280,306	1,280,306
Provision for non-recovery (ii)	(1,280,306)	-
	<u>1,089,592</u>	<u>3,434,935</u>

(i) Due to uncertainty regarding the conversion of the loan and also the recoverability of the underlying loan, a provision for the non-recovery of the loan has been booked.

(ii) Due to the on-going uncertainty on concluding a sale in the current environment, the Company has fully provided for its investment in Chalmway Pty Ltd and its 90% owned subsidiary Ruhuna 2001 Multivision (Pvt) Ltd (Sri Lanka).

7. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the half-year ended 31 December 2006, the Group acquired assets with a cost of \$5,931 (2005:\$26,664).

There were no disposals during the half-year ended 31 December 2006 (2005: nil).

ULTRAPAY LIMITED

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

8. INTANGIBLES

	IP Biometric Software \$	IP Biopad Development Costs \$	Patents \$	Total \$
At 1 July 2006				
Cost (gross carrying amount)	1,147,360	7,023,968	6,857,625	15,028,953
Accumulated amortisation and impairment	(1,147,360)	(2,735,380)	(6,857,625)	(10,740,365)
Net carrying amount	-	4,288,588	-	4,288,588

Half-year ended 31 December 2006

At 1 July 2006, net of accumulated amortisation and impairment	-	4,288,588	-	4,288,588
Additions / (adjustments)	-	75,091	-	75,091
Amortisation	-	-	-	-
At 31 December 2006, net of accumulated amortisation and impairment	-	4,363,679	-	4,363,679

At 31 December 2006

Cost (gross carrying amount)	1,147,360	7,099,059	6,857,625	15,104,044
Accumulated amortisation and impairment	(1,147,360)	(2,735,380)	(6,857,625)	(10,740,365)
Net carrying amount	-	4,363,679	-	4,363,679

	IP Biometric Software \$	IP Biopad Development Costs \$	Patents \$	Total \$
At 1 January 2006				
Cost (gross carrying amount)	1,147,360	6,049,426	6,857,625	14,054,411
Accumulated amortisation and impairment	(187,846)	(2,122)	(720,961)	(910,929)
Net carrying amount	959,514	6,047,304	6,136,664	13,143,482

Half-year ended 30 June 2006

At 1 January 2006, net of accumulated amortisation and impairment	959,514	6,047,304	6,136,664	13,143,482
Additions / (adjustments)	-	974,542	-	974,542
Disposals	-	-	-	-
Impairment	(894,406)	(2,733,258)	(5,748,195)	(9,375,859)
Amortisation	(61,870)	-	(388,469)	(450,339)
Exchange adjustment	(3,238)	-	-	(3,238)
At 30 June 2006, net of accumulated amortisation and impairment	-	4,288,588	-	4,288,588

At 30 June 2006

Cost (gross carrying amount)	1,147,360	7,023,968	6,857,625	15,028,953
Accumulated amortisation and impairment	(1,147,360)	(2,735,380)	(6,857,625)	(10,740,365)
Net carrying amount	-	4,288,588	-	4,288,588

ULTRAPAY LIMITED

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

9. INTEREST-BEARING LOANS AND BORROWINGS

Current

The Group has agreed to pay interest on an amount of \$400,000 owed to another party, which was previously classified as non-interest bearing.

A loan from other parties of £100,000 or \$248,139 was outstanding at 31 December 2006. An amount of £85,000 has been approved by the Board to be converted to shares at a rate equivalent to \$0.00565 per share. Paperwork is currently being formalized and it is anticipated the shares will be issued in early March 2007.

In July 2006 the Company signed a \$4 million Loan Agreement with Fulcrum Equity Limited (Fulcrum) (previously Quadrant Iridium Ltd), which included the assignment of the loan from specific director of \$1,450,000. The Fulcrum loan is secured by a registered charge and convertible to equity at any time by the lender, subject to shareholder approval, and is not due for repayment for 3 years. The loan is classified as current as it can be converted at any time by Fulcrum. The loan and capitalized interest bears an interest rate of 8.5%.

In November 2006, after approval by the shareholders at an EGM, Fulcrum converted \$2.95 million of the loan to equity at \$0.0565. In accordance with Australian Accounting Standards this conversion was booked at its fair value of \$3,687,500 or \$0.07 per share. At 31 December 2006 the loan and capitalized interest outstanding was \$763,682. This loan was also booked at its fair value of \$954,582.

10. PROVISIONS

A payment of \$150,000 was made in settlement of a legal claim in August 2006. A provision of \$50,000 remains due for payment.

11. CONTRIBUTED EQUITY

	Dec 2006	June 2006
	\$	\$
Ordinary shares	39,653,818	35,198,318
	<u>39,653,818</u>	<u>35,198,318</u>

(i) Ordinary shares

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

	Shares	\$
Movement in ordinary shares on issue		
At 1 July 2006	75,751,098	35,198,318
Issued 23 August 2006 for cancellation of licence	6,033,333	543,000
Issued 1 November 2006 for supply of development services	2,500,000	225,000
Issued 21 November 2006 in exchange for debt	52,216,086	3,687,500
	<u>136,500,517</u>	<u>39,653,818</u>

ULTRAPAY LIMITED

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

12. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that were entered into with related parties for the half-year ended 31 December 2006 and 2005:

Related party		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Entities with significant influence over the Group:					
Fulcrum Equity Ltd	2006	-	196,310	-	954,582
	2005	-	-	-	-
Wholly-owned entities not consolidated:					
(1) Ruhuna Group	2006	-	-	2,279,871	-
	2005	-	-	2,079,866	-
Associate:					
(2) Telcogames Ltd (UK)	2006	-	-	1,070,060	-
	2005	-	-	1,023,343	-
Key management personnel of the Group:					
Other director's interests	2006	-	-	-	-
	2005	-	-	-	2,073,383

Terms and conditions of transactions with related parties

Purchases from Fulcrum Equity Ltd are made at cost plus 0% for office supplies, 15% for personnel and 20% for office space.

Amounts owed to Fulcrum Equity Ltd are secured with a registered charge and bear an interest rate of 8.5%.

Amounts owed to a specific director (resigned 3 July 2006) were secured by an unregistered charge and bore an interest rate of 12%.

Outstanding balances to wholly-owned subsidiaries are unsecured, interest free and settlement occurs in cash.

(1) For the half-year ended 31 December 2006, the Group had fully provided (2005: nil provision) for the loans to Ruhuna Group.

(2) At 31 December 2005 the Company held 46.59% shareholding in Telcogames Ltd (UK) and deconsolidated. Amounts owed by Telcogames are interest free and convertible into shares as and when the shares held for sale in Telcogames are sold at the agreed value. Should Telcogames default then the loan becomes immediately due and payable. There is uncertainty that the loan is recoverable and the Company has fully provided (2005: nil provision) for the loan.

ULTRAPAY LIMITED

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

13. CHANGES IN COMPOSITION OF ENTITY

	Dec 2006	Dec 2005
	\$	\$
Mobile services:		
(a) Effective 31 December 2005, Ultrapay Limited sold 100% of It's In Pty Limited, a subsidiary developing content for I-mode mobile phone services.		
The carrying amount of assets and liabilities disposed and consideration received were:		
Total Assets	-	20,853
Total Liabilities	-	(290,008)
Net Assets/(Liabilities)	-	(269,155)
Cash consideration received	-	487,813
Incidental costs incurred upon disposal	-	-
Profit on disposal of It's In Pty Limited	-	756,968

(b) On 30 December 2005, Ultrapay Limited sold 3.63% of Telcogames Limited, a UK based company sourcing mobile phone games from developers worldwide and distributing to a predominantly UK and European customer base. Upon completion of the sale, Ultrapay held 46.59% of Telcogames Limited.

A condition of the sale was that Ultrapay relinquish control of the Telcogames Limited Board. Ultrapay reduced its Board representation from 3 of the 6 member Board (with Ultrapay having the majority of voting power) to 1 of the 4 member Board (with 25% of voting power).

The carrying amount of assets and liabilities disposed, deconsolidated upon loss of control and consideration received were:

Total Telcogames Assets	-	1,429,344
Total Telcogames Liabilities	-	(2,668,741)
Net Telcogames Assets/(Liabilities)	-	(1,239,397)
Deconsolidation of Ultrapay net assets	-	129,480
Total deconsolidated Net Assets/(Liabilities) of Telcogames Limited	-	(1,109,917)
Cash consideration received	-	134,233
Consideration receivable	-	47,302
Total consideration	-	181,535
Incidental costs incurred upon disposal	-	-
Net consideration	-	181,535
Profit on deconsolidation of Telcogames Limited	-	1,291,452
Share of equity accounted loss of Telcogames Limited	-	(570,916)
Net profit upon deconsolidation of Telcogames Limited	-	720,536

ULTRAPAY LIMITED

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

14. COMMITMENTS AND CONTINGENCIES

Non-cancellable operating lease expense commitments

	Dec 2006 \$	June 2006 \$
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	31,645	63,295
	<u>31,645</u>	<u>63,295</u>

Mobile Transact terminal development commitment

The consolidated entity has no development commitments as at 31 December 2006.

As at 31 December 2005 the consolidated entity had commitments to spend a further \$1,310,000 on the development of the mobile transact terminal. Of this commitment, \$310,000 was in relation to the printer associated with the terminal. The remaining \$1,000,000 related to the final payment on the completion of the terminal for deployment which was to be settled by the issue of 2,500,000 shares. These shares were issued in November 2006, and have been booked into the accounts at the market price on the date the terminal was completed in August 2006.

15. SUBSEQUENT EVENTS

Subsequent to balance date on 17 January 2007 the Company issued 300,000 shares to Mr Maxwell Crofts, a former director, as part payment of directors fees and as approved by the shareholders at the AGM on 11th January 2007.

On 30 January 2007 the company issued 4,000,000 options at a strike price of \$0.07062, expiring 31 December 2011, to Wens Brinkman, CEO, as approved by the shareholders at the AGM on 11th January 2007.

On 9 February 2007 the Board approved conversion of £85,000 of the loan from other parties to 3,761,062 ordinary fully paid shares which is equivalent to \$0.0565 per share. Paperwork is currently being formalized and it is anticipated the shares will be issued in early March.

16. SEGMENT INFORMATION

The Group was involved in the mobile transact segment which involved the development, supply, marketing and operation of the mobile EFTPOS device. The Group predominantly operated in one geographic segment during the period, being Australia.

ULTRAPAY LIMITED

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Directors' Declaration

In accordance with a resolution of the directors of Ultrapay Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and the performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and
- (b) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Michael Boyd
Chairman

Dated this 28th day of February 2006

To the members of Ultrapay Limited

Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying half-year financial report of Ultrapay Limited and the entities it controlled during the half-year, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the period 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 designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Ultrapay Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Qualification

In August 2004, the company commenced acquiring Chalmway Pty Ltd (and subsidiary Ruhuna 2001 Multivision (Pvt) Ltd (“Ruhuna”). Control was gained on 25 April 2005. Subsequent to acquiring Chalmway Pty Ltd, the company has been unable to obtain adequate information about the financial performance and financial position of Chalmway Pty Ltd and its subsidiary Ruhuna to enable their results and financial position to be included in financial reports prepared for the consolidated entity including for the half-year ended 31 December 2006. As a consequence the company did not fully comply with AASB 127 *Consolidated and Separate Financial Statements* for the half-year ended 31 December 2006.

Qualified Review Statement

Based on our review, which is not an audit, except for the effect of such adjustments as might have been determined to be necessary had we been able to satisfy ourselves regarding the matters discussed in the qualification paragraph, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Ultrapay Ltd and the entities it controlled during the period is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2006 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 “Interim Financial Reporting” and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

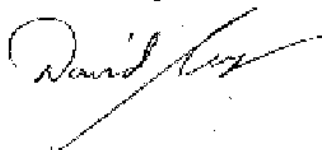
Inherent Uncertainty Regarding Continuation as a Going Concern and Carrying Value of Intangible Assets

Without qualification to the opinion expressed above, attention is drawn to the following matter:

As set out in Note 2 to the financial report, the ability of the consolidated entity and the company to continue as going concerns is dependent on the successful sale of assets, production of sufficient revenues from the commercialisation of the Mobile Transact technology and the successful rights issue. At the date of this report it is not possible to determine with reasonable certainty the likely success of the asset sales, the commercialisation of Mobile Transact or the rights issue. Accordingly there is significant uncertainty whether the consolidated entity and the company will continue as a going concern and, therefore, whether they will be able to pay their debts as they fall due and whether they will realise assets, in particular the group’s intangible assets, and extinguish liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity and the company not be able to continue as a going concern.




Ernst & Young



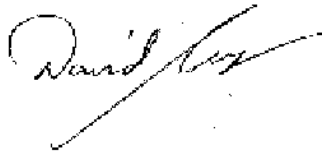
David McGregor
Partner
Melbourne
28 February 2007

Auditor's Independence Declaration to the Directors of Ultrapay Ltd

In relation to our review of the financial report of Ultrapay Ltd for the period ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



David McGregor
Partner
Melbourne
28 February 2007