



Contents

From the Chairman and Chief Executive Officer	2
Information on Directors	4
Corporate Governance Statement	5
Directors' Report	7
Remuneration Report	11
Auditor's Independence Declaration	17
Statement of Comprehensive Income	18
Statement of Financial Position	19
Statements of Changes in Equity	20
Statement of Cash Flows	21
Notes to the Financial Statements	22
Directors' Declaration	40
Independent Audit Report to the Members	41
Shareholder Information	44

FROM THE CHAIRMAN AND THE CEO

The 2011 financial year was a watershed for Two Way Limited. After many years of struggle, the Company finally received the necessary regulatory approvals from the Governments of Queensland and South Australia to deploy our flagship TV wagering service in those States. This enabled the Company to expand our TAB Active service beyond the original States of Victoria and New South Wales, with the service launching in Queensland in April 2011 and in South Australia in June 2011.

These launches also meant that the Company had succeeded in deploying our service with a second major wagering operator, TattsBet Limited. This adds to the original deployment with Tabcorp Holdings Limited.

After the end of the financial year, our TAB Active service was also deployed with a third major TAB operator, Racing and Wagering Western Australia, in July 2011. This completed the rollout of our service across all mainland States.

The net result of these activities is that Two Way has put itself into a unique position in the media and wagering landscape in Australia. We are the only company operating a live TV betting service, and the only company with a live betting service of any kind that is linked into the betting engines of multiple TAB operators. Our TV betting service is a robust, enterprise-grade platform, which we firmly believe to be the best of its kind in the world.

In order to seize the opportunity to increase our revenue through the service, we have found in the past that it is necessary to invest funds in marketing. Accordingly, the Board has focussed on ensuring that the Company is adequately capitalised and in a strong financial position to generate good returns to investors.

This led to the successful signing of a deal with our new cornerstone investor, Mr Gerald Tan and associates of Malaysia, which was announced in September 2011. We are pleased to welcome Gerald to the Board of Two Way. The investment from Gerald and his associates has strengthened the Company's capital base, and will enable us to focus on sales, marketing and enhancement of our products.

In addition to the TAB Active service, these products include the Way2Bet online and mobile wagering portal, which continues on a path of healthy growth. We have also opened up new opportunities in IPTV and smart TVs, with deals signed during the year with major corporate bookmakers, Sportingbet and Betfair.

All of these products play to Two Way's strengths in supplying world-class technology to licensed wagering operators. However our intellectual property and expertise, primarily on interactive TV platforms, can also be deployed in numerous other industries, in addition to wagering. For example, we succeeded in deploying our award-winning TV chat application on the MTV channel on Foxtel during the year, and we continue to pursue other deals for bespoke software development work.

FINANCIAL PERFORMANCE

The results recorded in the 2011 financial year were the strongest in the Company's history, and were highlighted by a 66% improvement in the net result.

Revenue increased by a solid 13% in the Company's key wagering services – the TAB Active TV wagering service, and the Way2Bet online and mobile wagering portal. In the absence of any significant spend on marketing, TAB Active recorded revenue growth of 5%. Way2Bet recorded very strong growth of 62%, off a lower base.

However overall revenue decreased by 6%, due to the timing of a number of bespoke development projects, compared to the previous year. This was more than offset by a 10% reduction in expenses, leading to a 15% improvement in the result before abnormal charges and tax.

As a result of the Board's decisions in previous financial years to carry no intangible assets on the balance sheet, there were no abnormal charges this year. Depreciation and amortisation charges were reduced by a total of 92%.

Licence fees increased by 57% on the previous year, but this was due to the successful settlement negotiated with Two Way Media (UK) during the year. Licence fees have now been eliminated on an ongoing basis, but the Company retains a perpetual licence to use any technology sourced from Two Way Media.

Telecommunications costs increased by 12%, as the Company's TV wagering service began to be expanded into additional States. All other costs were held flat or reduced, resulting in total operating costs of \$2.8m, essentially unchanged from the previous year.

Operating cash flow improved by 15% on the previous year. However there were fewer shares issued and less capital raised than in the previous year, which meant that net cash flow deteriorated, from an outflow of (\$0.212m) in FY10, to an outflow of (\$0.508m).

OUTLOOK

Our strategy for the business remains unchanged, with the focus being on expanding the usage of our TV wagering service, while generating increasing revenue from all other product lines, including Way2Bet. We will continue to reduce costs as much as possible, but will invest funds in marketing where required in order to meet our goals.

The substantial cornerstone investment from Mr Gerald Tan and associates will supply the immediate capital required to enable us to execute on this strategy. The balance of this investment requires approval from shareholders at the Annual General Meeting in November 2011. You will receive a Notice of Meeting with full details about the investment, to enable you to decide whether to approve it.

In the early stages of the 2012 financial year, the Company has never been in a stronger financial and commercial position. We will continue to work hard so that shareholders will get the benefits of this position.



A handwritten signature in black ink, appearing to read 'Stuart McGregor'.

Mr Stuart McGregor
Chairman



A handwritten signature in black ink, appearing to read 'Ben Reichel'.

Mr Ben Reichel
Chief Executive Officer

INFORMATION ON DIRECTORS

Mr Stuart James McGregor Non-Executive Chairman

Stuart McGregor was educated at Melbourne University and the London School of Business Administration, gaining degrees in Commerce and Law. He also completed a Masters of Business Administration.

Over the last 30 years, Stuart has had a wide-ranging business career with active involvement across the Australasian and Asian Region. In business, he has been Company Secretary of Carlton United Breweries, Managing Director of Cascade Brewery Company Ltd in Tasmania and Managing Director of San Miguel Brewery Hong Kong Ltd, a publicly listed Hong Kong based company with subsidiary businesses in China. In the public sector, he served as Chief of Staff to a Minister for Industry and Commerce in the Federal Government and as Chief Executive of the Tasmanian Government's economic development agency. Mr McGregor was formerly a director of Primelife Limited from 1 December 2001 to 31 March 2004.

Stuart is a member of Two Way Limited's Audit & Risk Management Committee and Nominations, Remunerations & Corporate Governance Committee.

Mr Christopher Roberts Grant-Foster Non-Executive Director

Chris Grant-Foster has his own consulting business, Number Eight Management, with a focus on strategic management, sales and marketing, M&A, capital raising and restructuring. He has also held the position of Non Executive Chairman of Geo Exchange Pty Ltd since February 2011.

Chris was previously the Chief Executive Officer of Two Way Limited and oversaw the signing of the pay TV wagering deal with Tabcorp and Foxtel.

Chris has extensive local and international experience in the telecommunications, content and media fields. He has held senior positions as Managing Director/CEO of Insite Management, Managing Director iTouch Asia – Pacific, General Manager Telecommunications Samsung Australia, General Manager Technology and Operations Mobile Hutchison 3, and Siemens Ltd where he worked in London and Australia. Chris is Chairman of both Two Way Limited's Nominations, Remuneration & Corporate Governance Committee, and the Audit & Risk Management Committee.

Mr Benedict Paul Reichel Managing Director & CEO

Ben Reichel was appointed as Chief Executive Officer and Managing Director in July 2007. He previously held the role of Chief Operating Officer, where he was responsible for the day to day management of the business. Ben also previously held the roles of General Counsel and Company Secretary.

Ben was educated at the University of Sydney and the University of California, Berkeley. He holds a Bachelor of Arts, Bachelor of Laws with First Class Honours and Master of Laws with First Class Honours.

Ben has more than nineteen years' experience in major Australian listed public companies and law firms. Before joining Two Way, Ben was General Counsel of Tab Limited, a top 75 ASX listed company. Prior to that, he was General Counsel of Sky Channel Pty Limited and held a number of executive positions at Publishing and Broadcasting Limited.

CORPORATE GOVERNANCE STATEMENT

Two Way Limited (the Company) is committed to good corporate governance practices through its established corporate governance framework. This framework is reflected in the Company's policies and is designed to ensure that there are appropriate levels of disclosure and accountability.

The Company has endorsed the updated *Corporate Governance Principles and Recommendations* released by the ASX Corporate Governance Council, and seeks to follow them to the extent that it is practicable having regard to the size and nature of its operations.

The Board regularly reviews all corporate governance policies and practices to ensure that they remain current and in accordance with good practice appropriate for the Company's business environment. The Board and senior management ensure that employees are aware of the requirements for corporate compliance as it applies to their specific roles within the organisation.

Copies of these policies are available from the "Corporate Governance" section of our website, www.twowaytv.com.au.

The table below summarises the *ASX Corporate Governance Principles and Recommendations* and cross references these to the Company's Corporate Governance Policies:

ASX Corporate Governance Principles and Recommendations	Two Way Limited Corporate Governance Policy
Principle 1: Lay solid foundations for management and oversight	
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Board Charter
1.2 Companies should disclose the process for evaluating the performance of senior executives	Nominations, Remuneration & Corporate Governance Committee Charter
1.3 Companies should provide the information indicated in the <i>Guide to reporting on Principle 1</i> .	General compliance
Principle 2: Structure the Board to add value	
2.1 A majority of the Board should be independent directors.	Board Charter (clause 5)
2.2 The chairperson should be an independent director.	Not specifically noted but the Company complies
2.3 The roles of the chairperson and chief executive officer should not be exercised by the same individual.	Not specifically noted but the Company complies
2.4 The Board should establish a Nominations Committee.	Board Charter (clause 8)
2.5 Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Board Committee Standing Rules Nominations, Remuneration & Corporate Governance Committee Charter
2.6 Provide the information indicated in <i>Guide to reporting on Principle 2</i> .	General compliance
Principle 3: Promote ethical and responsible decision-making	
3.1 Establish a code of conduct and disclose the code or a summary as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity; the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Board Charter Directors' Code of Conduct Audit & Risk Management Committee Charter
3.2 Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary.	Securities Trading Policy & Guidelines
3.3 Provide the information indicated in <i>Guide to reporting on Principle 3</i> .	General compliance

Principle 4: Safeguard integrity in financial reporting	
4.1 The Board should establish an audit committee.	Board Charter (clause 8)
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chairperson, who is not the chairperson of the Board; and • has at least three members. 	Audit & Risk Management Committee Charter (clause 6). NB: currently the Committee comprises only 2 members, which is deemed sufficient at this stage.
4.3 The audit committee should have a formal Charter.	Audit & Risk Management Committee Charter
4.4 Provide the information indicated in <i>Guide to reporting on Principle 4</i> .	General compliance
Principle 5: Make timely and balanced disclosure	
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Directors' Code of Conduct Market Disclosure Policy Disclosure Policy & Policy for Handling Conflicts of Interest
5.2 Provide the information indicated in <i>Guide to reporting on Principle 5</i> .	General compliance
Principle 6: Respect the rights of shareholders	
6.1 Design a communications policy for promoting effective communication with shareholders and encourage their participation at general meeting and disclose the policy or a summary of the policy.	Market Disclosure Policy
6.2 Provide the information indicated in <i>Guide to reporting on Principle 6</i> .	General compliance
Principle 7: Recognise and manage risk	
7.1 Establish policies for oversight and management of material business risks and disclose a summary of those policies.	Audit & Risk Management Committee Charter
7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Board Charter Audit & Risk Management Committee Charter
7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Board Charter (clause 4)
Principle 8: Remunerate fairly and responsibly	
8.1 The Board should establish a remuneration committee.	Board Charter (clause 8)
8.2 Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Nominations, Remuneration & Corporate Governance Committee Charter
8.3 Provide the information indicated in <i>Guide to reporting on Principle 8</i> .	General compliance

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities (**economic entity**) for the financial year ended 30 June 2011.

DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

Mr Stuart James McGregor (Non-Executive Chairman)
Mr Benedict Paul Reichel (Managing Director)
Mr Christopher Roberts Grant-Foster (Non-Executive Director)

Details of Directors' qualifications, experience and special responsibilities are provided in the *Information on Directors*, on page 4.

COMPANY SECRETARY

Mr Rointon Nugara holds the position of Company Secretary.

Mr Nugara has been with Two Way since January 2005. He holds a Bachelor of Business (Accounting) from the University of Western Sydney and is a qualified CPA. Mr Nugara has 22 years experience in finance and accounting, having commenced his career at Arthur Young (later Ernst & Young), before moving to Sterling Winthrop Pharmaceuticals as Company Accountant. He then spent 7 years at Optus in various positions, culminating in the role of Commercial Manager in the Optus Business division. Prior to joining Two Way, Mr Nugara held the position of Planning & Analysis Manager at Foxtel.

PRINCIPAL ACTIVITIES

The principal activities of the economic entity during the financial year were the management and development of interactive media and gambling applications for deployment on television, mobile and internet. There were no significant changes in the nature of the economic entity's activities during the year.

REVIEW OF OPERATIONS AND RESULTS

The economic entity reported total revenue of \$1,595,288 in the 2011 financial year. Revenues increased by a total of 13% in the Company's key wagering products, being the TAB Active TV wagering service and the Way2Bet online and mobile wagering portal. However revenues from games declined compared to the previous year, as a result of Austar's decision to switch off all its games services at the end of March 2010. Revenues from ad hoc development projects also declined, due to the timing of the Company's engagement on these projects.

This led to an overall decline of 6% in revenues, which was more than offset by a 10% reduction in expenses. This led to an improvement of 15% in the result prior to impairment charges (2010 only) and tax.

There were no abnormal charges this year, following the Board's decisions in previous financial years to carry no intangible assets on the statement of financial position. Depreciation charges were also reduced, as a number of tangible assets reached their full written down values during the year. The Company successfully applied for a research and development tax offset during the year, which provided a cash benefit.

Operating cash flow (\$1.029m) improved by 15% on FY10 (\$1.218m). Fewer shares issued and less capital raised during the year meant that Net cash flow deteriorated, from an outflow of \$0.212m in FY10, to an outflow of \$0.508m.

The Total Comprehensive Loss in the 2011 financial year of (\$1,029,197) improved considerably (by 66%) on the previous year, and represents the strongest result on record.

Operational highlights for the 2011 financial year include:

- Regulatory approval for the Company's TV wagering service was finally received in Queensland on 30 March 2011, after a delay of many years caused by political sensitivities. The service was launched in Brisbane and the Gold Coast on 20 April. Regulatory approval was received in South Australia two months later, and the service was launched in Adelaide on 9 June. After the end of the financial year, the service was also launched across the whole of Western Australia on 28 July. As a result, TAB ACTIVE is now finally available in all mainland States on the Foxtel platform. The addition of fixed odds betting functionality was another important milestone, as it continues to be the fastest growing form of betting around Australia. Punters in NSW and Victoria were able to enjoy a choice of fixed odds and tote betting from March 2011. Two Way is currently implementing a further enhancement to the service, to introduce this feature in Queensland and South Australia. This is due to go live prior to the main events of the Spring Racing Carnival.
- The Way2Bet wagering portal continues to grow strongly, with revenue up by 62% on the previous financial year. This online and mobile service provides a range of information to "help punters bet better", including odds comparisons from leading bookmakers, free form guides, and sports and racing tips. In August 2010, the service was enhanced with the introduction of a premium ratings and tipping service, in conjunction with respected racing expert Michael Fraser. This is the first premium service available through the portal, which allows Two Way to earn revenue directly from end users. This supplements the various forms of advertising and commission revenue that Two Way earns from its bookmaker partners.
- As a result of the economic entity's relationships with bookmakers, and expertise in TV wagering, the economic entity was successful in signing long-term exclusive deals during the year with both Sportingbet and Betfair to operate smart TV betting services. Both of these services are in production, and are due to be deployed in the near future. Two Way is actively pursuing a number of similar opportunities with other leading wagering operators.
- The economic entity continued to bid for and successfully complete a number of ad hoc development projects for its partners, primarily Foxtel and Austar. Due to the nature of these projects, they do not usually provide recurring revenue, and the revenue from them fluctuates from year to year.
- Operating costs (before depreciation and amortisation and impairment charges) were \$2.79m, largely unchanged from the previous year. However, included in operating costs was a 57% increase on previous year in licence fees, due to the successful settlement negotiated with Two Way Media (UK) during the year. As a result of this settlement finalised in January 2011, the economic entity no longer has to pay any further licence fees, but retains the right to use any technology sourced from Two Way Media in perpetuity. With the growth of the TV wagering service, and in particular the expansion into other States, telecommunications costs were up 12%. Other operating costs (before depreciation & amortisation) were reduced in a number of areas, reflecting the continued focus on cost reduction.

BUSINESS STRATEGIES AND PROSPECTS

Two Way is now finally in a position to demonstrate the potential of its TV wagering technology, having overcome multiple obstacles in order to deploy it on a national basis. These obstacles included commercial, technical, regulatory, and political issues. The ongoing commitment of the Board and staff has been crucial in overcoming those obstacles.

The economic entity is in a unique position in the Australian wagering landscape, being the only company with a live betting service linked in to the betting engines of all major TABs, and is now operating the service in the five mainland States.

In addition the economic entity is continuing to develop its Way2Bet wagering portal, and to deploy its expertise in TV-based interactivity on new platforms, such as IPTV and smart TVs.

Except as noted above, information on the economic entity's business strategies and prospects for future financial years has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the economic entity.

FINANCIAL POSITION

The net assets of the economic entity at 30 June 2011 were \$23,228 (30 June 2010: \$520,889). Reduced investment income and the funding of normal operations contributed to the decrease.

The group's working capital, being current assets less current liabilities was \$40,492 (2010: \$548,219). Funding of operations, and in particular, costs directly relating to the TV wagering service, accounted for much of the reduction. The successful renegotiation of licence fees, noted above, did result in higher associated costs and as such, also impacted on working capital.

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid during the financial year (2010: \$Nil). The Directors do not recommend the payment of a dividend.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Economic Entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Company closed a non-renounceable rights issue on 22 July, and raised \$315,000 before underwriting costs. The proceeds were received on 29 July, and will be used to fund working capital.

On 20 September 2011, the Company announced that Mr Gerald Tan of Malaysia and his associates had agreed to invest up to \$2.04 million of expansion capital in the Company. The funds raised are to be used to exploit opportunities to expand the Company's TV wagering service and its other interactive media applications. In the immediate term, some of the funds are to be used to support the Company's comprehensive marketing campaign for its TV wagering service, for the 2011 Spring Racing Carnival. The terms of the investment involve the initial issue of 60 million ordinary shares in the Company to raise \$1.2 million at an issue price of 2 cents each. This capital will be invested in two stages, with an immediate injection of \$250,000 (via an issue of 12.5 million shares). The issue of the remaining 47.5 million shares, raising \$950,000, is subject to shareholder approval which is to be sought at the Company's Annual General Meeting. In addition Mr Tan will be issued with 30 million options, exercisable at 2.8 cents within 3 years, to raise up to \$840,000. These options are also subject to shareholder approval. Mr Gerald Tan has also accepted a Directorship of Two Way as a result of the investment.

DIRECTORS' MEETINGS

During the financial year, 11 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Board Meetings		Audit and Risk Management Committee Meetings		Nominations, Remuneration and Corporate Governance Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
S J McGregor	9	9	2	2	–	–
B P Reichel	9	9	–	–	–	–
C R Grant-Foster	9	9	2	2	–	–

The Nominations, Remuneration & Corporate Governance Committee did not meet during the financial year. All related matters were discussed as part of the regular meetings of the Board.

DIRECTORS' INTERESTS

The relevant interest of each director in securities of the Company at the date of this report is as follows:

	Fully Paid Ordinary Shares	Options	Total
S J McGregor	1,536,333	–	1,536,333
B P Reichel	1,744,327	360,000 ¹	2,104,327
C R Grant-Foster	602,886	–	602,886

1: Represents options that have fully vested as at the date of this report. Refer the Remuneration Report for further details.

REMUNERATION REPORT

This report details the Board's policy for determining the nature and amount of remuneration of directors and executives (including secretaries and senior managers) of the Company.

The Board has an established Nominations, Remuneration and Corporate Governance Committee, consisting of independent non-executive directors, which is responsible for setting the overall remuneration policy and guidelines for the Company. The Committee seeks guidance from professional external remuneration consultants when required. Whilst the Committee did not meet during the year, the Board of Directors has taken on this responsibility as required.

The Company's non-executive directors receive director's fees at a market level designed to remunerate them for their time, commitment and responsibilities, including their participation in Board Committees. The non-executive director fees in aggregate are well within the \$450,000 limit for director's fees (inclusive of superannuation) approved by the Company's shareholders at the 2004 Annual General Meeting. There are no bonuses payable to non-executive directors, and there are no termination payments for non-executive directors on retirement from office, other than statutory superannuation entitlements.

Non-executive directors are not granted options. All directors hold shares in the Company.

In relation to the Company's executives, the Company's remuneration policy is to ensure that executive remuneration packages properly reflect a person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating executives of the highest calibre. As a result, remuneration packages for the Managing Director/Chief Executive Officer and senior executives include both fixed and performance-based remuneration. Base salary is determined by considering the scope of the executive's responsibility, importance to the business, competitiveness in the market, and assessed potential. Performance-based remuneration consists of grants of options under the Company's Option Plan, and the payment of cash bonuses. The total remuneration package for executives includes superannuation and other non-cash benefits to reflect the total employment cost to the Company, inclusive of any fringe benefits tax.

Employees may be offered participation in the Company's Option Plan. This plan aims to assist in retention of employees, and to provide a direct link between the individual's remuneration and the long term performance of the Company.

No options were issued during the 2011 financial year. The values of the options issued to executives during prior financial years, and the terms and conditions applicable to them, are disclosed below.

Cash bonuses, as detailed in the tables of this report, can be payable if key performance indicators are met. KPIs have been based on the launch and expansion of the wagering service, and exceeding budgeted targets.

All remuneration paid to Directors and executives is valued at cost to the Company and expensed.

The remuneration of the Managing Director/Chief Executive Officer is reviewed by the Board, acting on the advice of the Nominations, Remuneration and Corporate Governance Committee. The remuneration of senior executives is reviewed by the Chief Executive Officer and by the Board.

The Board considers that the remuneration policies adopted have been successful in attracting, retaining and motivating talented staff who are required to manage and operate the Company as a listed public entity.

DETAILS OF REMUNERATION FOR YEAR ENDED 30 JUNE 2011

(A) NAMES AND POSITIONS HELD OF ECONOMIC AND PARENT ENTITY KEY MANAGEMENT PERSONNEL IN OFFICE AT ANY TIME DURING THE FINANCIAL YEAR

Directors

Mr S J McGregor – Chairman – Non-Executive Director
 Mr B P Reichel – Managing Director & Chief Executive Officer
 Mr C R Grant-Foster – Non-Executive Director

Executives

Mr R G Nugara – Company Secretary & Chief Financial Officer
 Mr G J Kean – General Manager, Products and Services
 Mr F R Magrini – Chief Technology Officer

(B) KEY MANAGEMENT PERSONNEL COMPENSATION

	Short Term Benefits			Post employment benefits	Other long term benefits	Termination Benefits	Share Based payments		Total	Percentage of Remuneration comprising Options	Percentage of Remuneration related to Performance
	Gross Salary Fees and Commission ¹	Cash Bonus	Non-monetary benefits ²	Super-annuation			Options	Shares			
ij) Specified Directors	\$	\$	\$	\$	\$	\$	\$	\$	\$		
2011											
Mr S J McGregor (Non-executive)	67,720	–	–	50,000	–	–	–	–	117,720	0.0%	0.0%
Mr B P Reichel (Managing Director & CEO)	313,168	25,000	–	25,000	–	–	2,275	–	365,443	0.6%	6.8%
Mr C R Grant-Foster (Non-executive)	54,000	–	–	4,860	–	–	–	–	58,860	0.0%	0.0%
Total	434,888	25,000	–	79,860	–	–	2,275	–	542,023		
2010											
Mr S J McGregor (Non-executive)	103,500	–	–	9,315	–	–	–	–	112,815	0.0%	0.0%
Mr B P Reichel (Managing Director & CEO)	306,744	17,000	1,081	25,000	–	–	6,795	–	356,620	1.9%	4.8%
Mr C R Grant-Foster (Non-executive)	51,750	–	–	4,658	–	–	–	–	56,408	0.0%	0.0%
Mr C F Connelly (Non-executive) ³	20,250	–	–	1,823	–	–	–	–	22,073	0.0%	0.0%
Total	482,244	17,000	1,081	40,796	–	–	6,795	–	547,916		

1 Non-executive Directors' remuneration represents fees in connection with attending Board meetings and Board Committee meetings.

2 Reflects provision of a mobile handset through an effective salary sacrifice arrangement.

3 Mr Connelly retired on 16 November 2009.

	Short Term Benefits			Post employment benefits	Other long term benefits	Termination Benefits	Share Based payments		Total	Percentage of Remuneration comprising Options	Percentage of Remuneration related to Performance
	Gross Salary Fees and Commission	Bonus	Non-monetary benefits ¹	Super-annuation			Options	Shares			
ij) Specified Executives	\$	\$	\$	\$	\$	\$	\$	\$	\$		
2011											
Mr R G Nugara	144,571	–	–	13,011	–	–	1,047	–	158,630	0.7%	0.0%
Mr G J Kean	131,887	15,000	23,750	15,357	–	–	1,638	–	187,632	0.9%	8.0%
Mr F R Magrini	160,069	–	–	2,073	–	–	1,365	–	178,100	0.8%	0.0%
Total	436,527	15,000	25,823	42,962	–	–	4,050	–	524,362		
2010											
Mr R G Nugara	141,844	–	–	12,766	–	–	3,126	–	157,736	2.0%	0.0%
Mr G J Kean	136,803	12,000	14,780	14,723	–	–	4,892	–	183,198	2.7%	6.6%
Mr F R Magrini	155,599	–	–	14,005	–	–	4,077	–	173,681	2.3%	0.0%
Total	434,246	12,000	14,780	41,492	–	–	12,095	–	514,614		

1 Mr G J Kean – relates to the provision of a fully serviced motor vehicle through an effective salary sacrifice arrangement.

Mr F R Magrini – relates to the provision of a laptop computer through an effective salary sacrifice arrangement.

(C) CASH BONUSES

	Payment Date	Bonus Value	Reason for Bonus	Percentage Paid during Year	Percentage Forfeited during Year	Percentage Remaining as Unvested
\$	%	%	%			
Mr B P Reichel	9/1/2010	25,000	(a)	25	75	–
	10/27/2009	17,000	(a)	17	83	–
Mr G J Kean	1/18/2011	15,000	(a)	100	–	–
	1/19/2010	12,000	(a)	80	20	–

(a) Cash bonuses were awarded as part of the employment contracts of above listed Key Management Personnel. Such persons were deemed to have satisfied some or all of the prerequisites for the receipt of their awards, being specified KPI measures.

(D) OPTIONS GRANTED AS COMPENSATION

	Grant Details				Value per Option at Grant Date	Terms & Conditions of Each Grant		
	Option Series	Grant Date	No.	Expense		Exercise Price	First Exercise Date	Last Exercise Date
Specified Directors				\$	\$	\$		
Mr S J McGregor		–	–	–	–	–	–	–
Mr B P Reichel	2008 Series B	Refer Table 1	–	2,275	Refer Table 1 for further details about Series B			
Mr C R Grant-Foster		–	–	–	–	–	–	–
Specified Executives								
Mr R G Nugara	2008 Series B	Refer Table 1	–	1,047	Refer Table 1 for further details about Series B			
Mr G J Kean	2008 Series B	Refer Table 1	–	1,638	Refer Table 1 for further details about Series B			
Mr F R Magrini	2008 Series B	Refer Table 1	–	1,365	Refer Table 1 for further details about Series B			
Total			–	6,324				

The fair value of options granted is calculated by valuing the options as at their grant date and allocating the value equally over the period from grant date to vesting date. For options granted under the 2008 Options Plan, the value per option at grant date was calculated as the volume weighted average (VWAP) price for shares in the Company traded on the ASX in the 30 day period prior to grant date. The exercise price is equal to the value per option at grant date. The 2008 Options Plan comprises two components: Series A and Series B. Series A options (28% of total) were granted on 1 July 2008 and vested on 30 June 2009. The full value for all Series A options therefore were included as Options Granted as Compensation in 2009 financial year. Series B options (72% of total) were granted progressively over the 2009 financial year, with 6% of the total being granted on the first day of each month during that year, commencing 1 July 2008. These options vest two years after each grant date. Accordingly, the value of Series B options included as Options Granted as Compensation in FY11 represent those options which progressively vested in FY11. This is the same for FY10. Series A and B options expire two years after each vesting date. Series A options expired on 30 June 2011, with none of these options having been exercised. Table 1 below provides further details of the Series B options.

Table 1 Series B Options	Grant Date	Exercise Price \$	First Exercise Date	Last Exercise Date	Percentage vested at 30.06.2011
	01/07/2008	0.072	01/07/2010	01/07/2012	100.0%
	01/08/2008	0.066	01/08/2010	01/08/2012	100.0%
	01/09/2008	0.060	01/09/2010	01/09/2012	100.0%
	01/10/2008	0.033	01/10/2010	01/10/2012	100.0%
	01/11/2008	0.038	01/11/2010	01/11/2012	100.0%
	01/12/2008	0.037	01/12/2010	01/12/2012	100.0%
	01/01/2009	0.034	01/01/2011	01/01/2013	100.0%
	01/02/2009	0.029	01/02/2011	01/02/2013	100.0%
	01/03/2009	0.025	01/03/2011	01/03/2013	100.0%
	01/04/2009	0.020	01/04/2011	01/04/2013	100.0%
	01/05/2009	0.018	01/05/2011	01/05/2013	100.0%
	01/06/2009	0.021	01/06/2011	01/06/2013	100.0%

There are no service and performance criteria to be met in determining the vesting of remuneration options. However, options will expire 12 months after termination of employment, if not exercised during that period.

(E) OPTIONS & RIGHTS HOLDINGS

Number of Options held by Key Management Personnel

2011	Balance 01.07.10	Granted as Compen- sation	Options Exercised	Options Cancelled or Lapsed	Net Change Other	Balance 30.06.11	Total Vested 30.06.11	Total Exercisable 30.06.11	Total Un- exercisable 30.06.11
Specified Directors									
Mr S J McGregor	-	-	-	-	-	-	-	-	-
Mr B P Reichel	500,000	-	-	(140,000)	-	360,000	360,000	360,000	-
Mr C R Grant-Foster	-	-	-	-	-	-	-	-	-
Specified Executives									
Mr R G Nugara	230,000	-	-	(64,400)	-	165,600	165,600	165,600	-
Mr G J Kean	360,000	-	-	(100,800)	-	259,200	259,200	259,200	-
Mr F R Magrini	300,000	-	-	(84,000)	-	216,000	216,000	216,000	-
Total	1,390,000	-	-	(389,200)	-	1,000,800	1,000,800	1,000,800	-

2010	Balance 01.07.09	Granted as Compen- sation	Options Exercised	Options Cancelled or Lapsed	Net Change Other	Balance 30.06.10	Total Vested 30.06.10	Total Exercisable 30.06.10	Total Un- exercisable 30.06.10
Specified Directors									
Mr S J McGregor	-	-	-	-	-	-	-	-	-
Mr B P Reichel	750,000	-	-	(250,000)	-	500,000	140,000	140,000	360,000
Mr C R Grant-Foster	-	-	-	-	-	-	-	-	-
Specified Executives									
Mr R G Nugara	305,000	-	-	(75,000)	-	230,000	64,400	64,400	165,600
Mr G J Kean	410,000	-	-	(50,000)	-	360,000	100,800	100,800	259,200
Mr F R Magrini	390,000	-	-	(90,000)	-	300,000	84,000	84,000	216,000
Total	1,855,000	-	-	(465,000)	-	1,390,000	389,200	389,200	1,000,800

(F) SHAREHOLDINGS

Number of Shares held by Key Management Personnel

	Balance 01.07.10	Received as Compensation	Options Exercised	Net Change Other ¹	Balance 30.06.11
<i>Specified Directors</i>					
Mr S J McGregor	1,130,000	–	–	266,667	1,396,667
Mr B P Reichel	1,252,419	–	–	333,333	1,585,752
Mr C R Grant-Foster	602,886	–	–	–	602,886
<i>Specified Executives</i>					
Mr R G Nugara	–	–	–	–	–
Mr G J Kean	–	–	–	–	–
Mr F R Magrini	–	–	–	–	–
Total	2,985,305	–	–	600,000	3,585,305

¹ Net change other refers to shares purchased, sold and transferred as well as share entitlements exercised. Shareholdings includes those held directly, indirectly or beneficially by each key management personnel, including their personally-related entities.

EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES

The employment conditions of the Chief Executive Officer and Managing Director, Mr Reichel, and the specified executives are formalised in contracts of employment. Mr Reichel's contract has no fixed term, but can be terminated by either party by giving six months' written notice, or (in the Company's case) paying six months' salary. The Company can terminate immediately at any time if the CEO commits a serious breach of the agreement, is guilty of serious misconduct, becomes bankrupt or is charged with a criminal offence, or significantly neglects his duties. The specified executives are employed under contracts with no fixed term. The Company may terminate the contracts immediately if the executive is guilty of serious misconduct or wilful neglect of duties. Otherwise, the Company may terminate the contracts by giving three months' notice or paying three months' salary.

OPTIONS

During the year ended 30 June 2011, there were no shares of the Company issued on the exercise of options granted under the Company's Option Plans. No further shares have been issued since that date as a result of the exercise of options. No amounts are unpaid on any of the shares. No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

INDEMNIFICATION AND INSURANCE

Pursuant to its Constitution, the Company indemnifies every current and former officer of the Company or its subsidiaries (to the extent permitted by law) against:

- liabilities incurred by that person, as an officer of the Company, to another person (other than the Company or its related bodies corporate); and
- liabilities for costs and expenses incurred by that person in defending any such proceedings, or in responding to actions taken by government agencies.

The Company has executed a Deed of Access and Indemnity in favour of each of its directors. The Deed grants an indemnity to directors and gives the directors the right of access to Board papers.

During the financial year the Company paid premiums for Directors' and Officers' Liability insurance in respect of Directors and executive officers of the Company and its controlled entities as permitted by the Corporations Act 2001. Details of the premium paid are confidential under the contract of insurance.

ENVIRONMENTAL ISSUES

The economic entity's operations are not subject to any particular and significant environmental regulation under the law of the Commonwealth and States.

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 party for the purpose 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.

NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of 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 objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants as set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2011: Taxation services – \$15,037 (2010: \$12,000).

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2011 in accordance with s307C of the Corporations Act has been received and can be found on page 17.

Signed in accordance with a resolution of the Board of Directors:



Mr. S. McGregor
Director

Date 27 September 2011

AUDITOR'S INDEPENDENCE DECLARATION



AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF TWO WAY LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2011 there have been:

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

William Buck
Chartered Accountants
ABN 16 021 300 521

L.E. Tutt
Partner
Sydney, 27 September 2011

Sydney
Melbourne
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Perth
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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Economic Entity	
		2011 \$	2010 \$
Revenue	2	1,595,288	1,696,946
Employee benefits expense		(1,517,769)	(1,566,862)
Depreciation and amortisation	3	(28,071)	(334,905)
Professional and consulting fees		(191,848)	(159,897)
Licence fees		(284,155)	(193,582)
Marketing & promotions		(69,727)	(219,060)
Telecommunications and hosting		(423,043)	(378,615)
Administration expenses		(56,695)	(76,124)
Other expenses from ordinary activities	3	(249,837)	(205,712)
Impairment of assets		–	(1,589,148)
Loss before tax		(1,225,857)	(3,026,959)
Income tax expense	4	(10,629)	(23,039)
R&D tax offset	4	207,289	–
Net Loss attributable to members of the Parent		(1,029,197)	(3,049,998)
Other comprehensive income/(loss)		–	–
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT		(1,029,197)	(3,049,998)
Basic loss per share (cents per share)	6	(0.51)	(1.68)
Diluted loss per share (cents per share)	6	(0.51)	(1.68)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Economic Entity	
		2011 \$	2010 \$
CURRENT ASSETS			
Cash and cash equivalents	7	234,588	742,581
Trade and other receivables	8	137,384	160,560
Other assets	10	38,794	53,752
TOTAL CURRENT ASSETS		410,766	956,893
NON-CURRENT ASSETS			
Plant and equipment	9	24,336	46,139
TOTAL NON-CURRENT ASSETS		24,336	46,139
TOTAL ASSETS		435,102	1,003,032
CURRENT LIABILITIES			
Trade and other payables	11	150,243	243,935
Provisions	12	220,031	164,739
TOTAL CURRENT LIABILITIES		370,274	408,674
NON-CURRENT LIABILITIES			
Provisions	12	41,600	73,469
TOTAL NON-CURRENT LIABILITIES		41,600	73,469
TOTAL LIABILITIES		411,874	482,143
NET ASSETS		23,228	520,889
EQUITY			
Contributed equity	13	48,743,742	48,220,435
Reserves	14	51,000	81,402
Accumulated losses		(48,771,514)	(47,780,948)
TOTAL EQUITY		23,228	520,889

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Contributed Equity \$	Retained Profits \$	Share Issue Expense Reserve \$	Employee Options Reserve \$	Total \$
Economic Entity						
Balance at 1 July 2009		55,050,871	(44,790,110)	(7,838,491)	114,879	2,537,149
Shares issued during the year		1,091,930	–	–	–	1,091,930
Loss attributable to members of parent entity		–	(3,049,998)	–	–	(3,049,998)
Employee share options issued		–	–	–	25,683	25,683
Employee share options lapsed/cancelled		–	59,160	–	(59,160)	–
Share issue expense		–	–	(83,875)	–	(83,875)
Balance at 30 June 2010		56,142,801	(47,780,948)	(7,922,366)	81,402	520,889
Balance at 1 July 2010		56,142,801	(47,780,948)	(7,922,366)	81,402	520,889
Shares issued during the year		565,039	–	–	–	565,039
Loss attributable to members of parent entity		–	(1,029,197)	–	–	(1,029,197)
Employee share options issued		–	–	–	8,229	8,229
Employee share options lapsed/cancelled		–	38,632	–	(38,632)	–
Share issue expense		–	–	(41,732)	–	(41,732)
Balance at 30 June 2011		56,707,840	(48,771,514)	(7,964,098)	51,000	23,228

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Economic Entity	
		2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,679,954	1,735,126
Payments to suppliers and employees		(2,738,173)	(2,993,684)
Interest received		29,175	40,858
Net cash used in operating activities	18	(1,029,044)	(1,217,700)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(6,894)	(2,530)
Net cash used in investing activities		(6,894)	(2,530)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		565,039	1,091,930
Payment of share issue expense		(37,094)	(83,875)
Net cash provided by financing activities		527,945	1,008,055
Net (decrease) in cash & cash equivalents held		(507,993)	(212,175)
Cash & cash equivalents at the beginning of the year		742,581	954,756
Cash & cash equivalents at the end of the year	7	234,588	742,581

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, (including Australian Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements cover the economic entity of Two Way Limited and controlled entities ('Group' or 'Economic Entity'). Two Way Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements of Two Way Limited and controlled entities comply with all International Financial Reporting Standards (IFRS) in their entirety.

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

The financial statements were authorised for issue by the directors pursuant to a resolution on 27 September 2011.

Basis for Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity controlled by Two Way Limited. Control exists where Two Way Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Two Way Limited to achieve the objectives of Two Way Limited. A list of controlled entities is contained in Note 17 to the financial statements.

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

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

b. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted at the end of the reporting period.

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

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

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

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

c. Plant and Equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Depreciation – the depreciable amount of all fixed assets is depreciated using the straight line method over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rate used for plant and equipment is 33%.

d. Leases

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.

e. Cash and Cash Equivalents

Cash on hand and in banks and short term deposits are carried at face value of the amounts deposited or drawn.

For the purpose of the statement of cash flows, cash includes cash on hand and in banks, short term deposits and money market investments readily convertible to cash within two working days and not subject to significant changes in value, net of outstanding bank overdrafts.

f. Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Refer to Note 25 for key judgements made in relation to the impairment test of the prepaid wagering fee.

g. Impairment of Non-Financial Assets

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

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

h. Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

i. Revenue

Revenue from the rendering of a service or delivery of goods is recognised upon the delivery of the service or goods to the customers, which is the date of transfer of risks and rewards.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

j. Financial Assets

Financial assets are divided into the following categories:

- loans and receivables;
- financial assets at fair value through profit or loss – none of these assets held at 30 June 2011 or 30 June 2010;
- available-for-sale financial assets – none of these assets held at 30 June 2011 or 30 June 2010; and
- held-to-maturity investments – none of these assets held at 30 June 2011 or 30 June 2010.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or directly in equity.

Generally, the Group recognises all financial assets using settlement day accounting. An assessment of whether a financial asset is impaired is made at least at the end of each reporting period. All income and expenses relating to financial assets are recognised in the statement of comprehensive income line item "interest received" or "finance costs" respectively.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. The Group's trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is considered immaterial. Significant receivables are considered for impairment on a case-by-case basis when they are past due at the end of the reporting period, or when objective evidence is received that a specific counterparty will default.

k. Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was incurred. The Group's financial liabilities are trade and other payables, which are measured at amortised cost using the effective interest rate method.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the statement of comprehensive income line items, "finance costs".

i. Foreign Currency Transactions and Balances

Functional & 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. It is also the functional and presentation currency for the other Group entities.

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.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income.

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 statement of comprehensive income.

m. Employee Benefits

Provision is made for the economic entity's liability for employee benefits from services rendered by employees up to the end of the reporting period. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

n. 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 statement of financial position are shown inclusive of GST.

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

o. Going Concern

For the year ended 30 June 2011 the economic entity has incurred a comprehensive loss of \$1,029,197 (2010: loss of \$3,049,998). Net cash outflows from operating activities were \$1,029,044 (2010: \$1,217,700); and current cash at bank and on hand as at 30 June 2011 is \$234,588 (2010: \$742,581). These factors indicate a significant uncertainty regarding the economic entity's ability to continue as a going concern. Under the requirements of Australian Accounting Standards, the Directors have reviewed whether the economic entity can continue to operate as a going concern by preparing cash flow projections and assessing the economic entity's ability to realise its assets and settle its liabilities in the normal course of business and for at least the amounts stated. Following this review the Directors believe that further capital-raising would be required within the next 12 months to meet the economic entity's obligations; and have actively pursued this course of action since the end of the reporting period. This has culminated in the recent announcement on 20 September 2011, of a cornerstone investor in the Company, who is proposing to invest up to \$2.04 million, subject to shareholder approval (refer Note 25 for further details of the proposed investment).

The Directors have prepared the financial statements on a going concern basis given the following:

- Continued growth of the Company's TV wagering service in both NSW and Victoria; and the recent launch of the service in Queensland, South Australia and Western Australia;
- The substantial cost savings achieved in prior years, including the elimination of all licence fee payments, which are expected to have a significant flow on effect in the 30 June 2012 and subsequent financial years; reinforced by a continued focus on minimising discretionary spend;
- New development projects involving IPTV technologies are well underway;
- No further upfront fees to be paid with regard to further deployment of the TV wagering service; and
- The proposed cornerstone investment noted above.

Notwithstanding the material uncertainties of future events inherent in the above, the Directors consider it is appropriate to prepare the financial statements on a going concern basis and hence no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

p. New Standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report. A discussion of the future requirements and their impact on the Group are outlined below:

AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

AASB 10: Consolidation (applicable for annual reporting periods commencing on or after 1 January 2013)

This standard supersedes AASB 127 and establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The Group has not yet assessed the impact of this Standard.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011). No changes are expected to materially affect the Group.

AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting period commencing on or after 1 January 2011). This standard details numerous non-urgent but necessary changes to accounting standards arising from IASB's annual improvement project. This standard is not expected to impact the Group.

AASB 2010-6: Amendments to Australian Accounting Standards – Disclosure on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods commencing on or after 1 July 2011). This standard adds and amends disclosure requirements about transfers of financial assets, including in respect of the nature of the financial assets involved and the risks associated with them. This standard is not expected to impact the Group.

AASB 2011-2: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054] (applicable for annual reporting periods commencing on or after 1 July 2013). Establishes reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements in relation to the Australian additional disclosures arising from the Trans-Tasman Convergence Project. The Group has not yet assessed the impact of this standard.

	Note	Economic Entity	
		2011 \$	2010 \$

NOTE 2: REVENUE

Revenue from operating activities: service revenue		1,567,651	1,656,081
Revenue from non-operating activities:			
interest – other persons		27,637	40,865
Total revenue		1,595,288	1,696,946

NOTE 3: LOSS FROM OPERATING ACTIVITIES

Loss from operating activities before income tax has been determined after:

(a) Expenses

Depreciation and amortisation of non-current assets

– Plant and equipment		28,071	96,531
– Amortisation of prepaid wagering fee		–	234,374
		28,071	334,905

(b) Other expenses from ordinary activities

Rental expenses on operating lease

– Minimum lease payments		88,042	80,046
Net (gain)/loss on disposal of plant & equipment		–	–
Travel costs		25,991	24,865
Foreign currency translation loss (gain)		1,444	1,897
Accounting and other services		19,187	12,000
Audit fees		39,000	31,613
Other		76,173	55,291
		249,837	205,712

NOTE 4: INCOME TAX EXPENSE

Prima facie income tax/(credit) calculated on the operating loss¹

		(367,757)	80,046
Add tax effect of:			
Share-based payments		(9,121)	(10,043)
Other non-deductible items		(17,532)	(12,026)
Add deferred tax asset not brought to account ²		405,039	953,196
Income tax attributable to subsidiary ³		10,629	23,039

1: The prima facie income tax rate of the economic entity, including the parent entity is 30% (2010: 30%).

2: The tax losses do not expire under current tax legislation; deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the economic entity can utilise the benefits.

3: Two Way Limited and its subsidiaries have not formed a consolidated group for income tax purposes.

R&D Tax Offset – The Company applied for and successfully claimed a tax offset for R&D expenditure incurred in the FY10 financial year. The tax offset is effectively a cash refund available to small companies who have incurred eligible R&D expenditure in the previous financial year. The tax offset received in November 2011 for the FY10 financial year was \$207,000.

	Note	Economic Entity	
		2011 \$	2010 \$

NOTE 5: AUDITOR'S REMUNERATION

Remuneration of the auditor of the parent entity & subsidiaries –

William Buck NSW:

– auditing or reviewing of the financial accounts	39,000	37,300
– taxation services	15,037	12,000
	<u>54,037</u>	<u>49,300</u>

NOTE 6: LOSS PER SHARE

Net (Loss)/Earnings used in the calculation of basic EPS	(1,029,197)	(3,049,998)
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Net (Loss)/Earnings used in the calculation of diluted EPS	(1,029,197)	(3,049,998)
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	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	<u>202,296,202</u>	<u>181,812,451</u>

Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	<u>202,296,202</u>	<u>181,812,451</u>
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Classification of Securities

The ownership-based remuneration scheme with 1,287,240 options remaining unconverted at year-end is not included in the calculation of basic or diluted EPS as they are anti-dilutive (ie out of the money) as at the end of the reporting period (*refer to Note 21*).

NOTE 7: CASH AND CASH EQUIVALENTS

Cash on hand and at bank	<u>234,588</u>	<u>742,581</u>
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The above amount reconciles to Cash and Cash Equivalents at end of the financial year, as shown in the Statement of Cash Flows.

NOTE 8: TRADE AND OTHER RECEIVABLES

CURRENT

Trade debtors	136,274	157,909
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Other debtors		
Interest receivable	<u>1,110</u>	<u>2,651</u>

Total current receivables	<u>137,384</u>	<u>160,560</u>
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The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short term nature of the balances. The average credit period on sales of services is 30 days.

The maximum exposure to credit risk at the end of the reporting period is the fair value of each class of receivable in the financial statements. The Group does not hold any collateral as security over any receivable balance, nor does it hold any restrictions of title. Refer to Note 23 for more information on the risk management policy of the Group.

	Note	Economic Entity	
		2011 \$	2010 \$

NOTE 9: PLANT AND EQUIPMENT

At cost		191,388	498,433
Accumulated depreciation		(167,052)	(452,294)
		24,336	46,139
<i>Movements in carrying amounts</i>			
Balance at beginning of year		46,139	140,155
Additions		6,268	2,515
Disposals		–	–
Depreciation expense		(28,071)	(96,531)
Carrying amount at the end of the year		24,336	46,139

NOTE 10: OTHER ASSETS

CURRENT

Bonds and security deposits		18,012	18,012
Prepayments		20,782	35,740
		38,794	53,752

NOTE 11: TRADE AND OTHER PAYABLES

CURRENT

Trade creditors		46,335	34,226
Sundry creditors and accrued expenses		103,908	209,709
		150,243	243,935

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

NOTE 12: PROVISIONS

CURRENT

Employee benefits – annual leave		170,891	164,739
Employee benefits – long service leave		49,140	–
Total Employee benefits		220,031	164,739

NON-CURRENT

Employee benefits – long service leave		41,600	73,469
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	Note	Economic Entity	
		2011 \$	2010 \$

NOTE 13: CONTRIBUTED EQUITY

	Number	Number
At the beginning of the reporting period	191,086,373	163,788,135
Fully paid ordinary shares issued during the year		
9 November 2009 – issue price: 4 cents per share, funds raised: \$1,091,930	–	27,298,238
17 November 2010 – issue price: 3 cents per share, funds raised \$400,000	13,333,333	–
17 December 2010 – issue price: 3 cents per share, funds raised \$165,039	5,501,298	–
At the end of the reporting period	209,921,004	191,086,373

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

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Capital Management – Management controls the capital of the Group in order to ensure the Group can fund its operations and continue as a going concern. The Group's capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. There have been no changes in the strategy adopted by management to control capital of the Group since the prior year.

NOTE 14: RESERVES

- a. **Share Issue Expense Reserve** – records costs incurred in relation to issuing of the new shares in the Company.
- b. **Options Reserve** – records items recognised as expenses on valuation of employee share options.

NOTE 15: OPERATING LEASE COMMITMENTS

Non-cancellable operating leases contracted for but not capitalised in the financial statements.

Payable:

– not later than 1 year	84,319	83,598
– later than 1 year but not later than 5 years	87,134	173,455
– later than 5 years	–	–
	171,453	257,053

As reported in the 2010 Annual Report, the Company exercised its option to renew its initial office lease (which was to expire on 15 July 2010) for a further three years. The Company was also able to negotiate a further three year option without having to enter into a new lease. The terms of the renewal and the renewal option are the same as for the initial lease – ie a fixed annual increase of 3.5% on each anniversary date. The Company is likely to exercise the renewal option at the expiry of current option term, however as this does not yet constitute a commitment, amounts payable beyond the current option term are not included above.

Prior to the expiry of the existing photocopier lease, the Company entered into a new lease agreement for a new machine with the existing lessor. The new three year lease commenced on 3 December 2009 and has a fixed monthly charge for the duration of the lease term.

NOTE 16: OPERATING SEGMENTS

Identification of reportable segments

The Group has determined that it has a single operating segment in a single geographic region, being the management and development of advanced interactive media and gambling applications, in Australia & New Zealand. The determination of a single operating segment is based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers or CODMs) in assessing performance and determining the allocation of resources. The CODMs do review revenues by major product category as listed in the table below. Operating and other costs, and assets, are not directly allocated to these product categories and therefore the net operating results and total assets are only viewed in aggregate.

Product	Segment Revenues		Net Operating Result		Carrying Amount of Segment Assets		Carrying Amount of Segment Liabilities	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
TV wagering	994,229	949,396	–	–	–	–	–	–
Odds comparisons	262,959	162,339	–	–	–	–	–	–
Games	185,008	347,405	–	–	–	–	–	–
Interest	27,637	40,865	–	–	–	–	–	–
Other revenue	125,455	196,941	–	–	–	–	–	–
Unallocated	–	–	(1,029,197)	(3,049,998)	435,102	1,003,032	411,874	482,143
	1,595,288	1,696,946	(1,029,197)	(3,049,998)	435,102	1,003,032	411,874	482,143

Non-current assets acquired during the year totalled \$6,268 (2010: \$2,515). These could not be accurately allocated to any of the product categories.

Major Customers

The Group has a number of customers to whom it provides products and services. The Group supplies a single external customer who in 2011 accounted for 62% of external revenue (2010: 56%). This share will decrease as a result of the recent rollout out of the Group's TV wagering service to other Australian jurisdictions.

Accounting Policies

All amounts reviewed by the CODMs in relation to operating segments were determined in accordance with accounting policies consistent with those adopted in the annual financial statements.

Segment assets and liabilities do not include deferred income taxes.

NOTE 17: CONTROLLED ENTITIES

	Country of Incorporation	Percentage owned (%)	
		2011	2010
Parent entity:			
Two Way Limited	Australia	–	–
Subsidiaries of Two Way Limited:			
Two Way TV Operations Pty Ltd	Australia	100%	100%
Way2Bet Pty Ltd	Australia	90%	90%
Holotype Pty Ltd (non-trading)	Australia	100%	100%

	Note	Economic Entity	
		2011 \$	2010 \$

NOTE 18: CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax

Loss from ordinary activities after income tax		(1,029,197)	(3,049,998)
Non-cash flows in loss from ordinary activities			
Depreciation & amortisation		28,071	334,905
Foreign exchange loss		1,444	1,897
Impairment loss		–	1,589,147
Share options expensed		8,228	25,683
Change in assets and liabilities			
(Increase)/decrease in receivables		23,175	27,638
(Increase)/decrease other assets		14,959	7,471
Increase/(decrease) in trade creditors & accruals (net of financing activities)		(99,148)	(186,512)
Increase/(decrease) in provisions		23,424	32,069
Cash Flow from Operations		<u>(1,029,044)</u>	<u>(1,217,700)</u>

	Note	Parent Entity	
		2011 \$	2010 \$

NOTE 19: PARENT ENTITY DISCLOSURES

The following information has been extracted from the books and records of the parent company of the Group, Two Way Limited, and has been prepared in accordance with Accounting Standards.

Results for the Parent Entity

Profit/(loss) for the year		(1,053,897)	(3,066,653)
Other comprehensive income/(loss)		-	-
Total Comprehensive Loss for the Year		<u>(1,053,897)</u>	<u>(3,066,653)</u>

Financial Position of the Parent Entity at the Year End

Current Assets		404,037	916,946
Total Assets		428,464	963,175
Current Liabilities		562,352	542,923
Total Liabilities		<u>603,952</u>	616,392

Total Equity of the Parent Entity

Contributed equity		48,743,733	48,220,425
Reserves		51,000	81,402
Accumulated losses		(48,970,221)	(47,954,955)
Total Equity		<u>(175,488)</u>	346,872

Parent Entity Contingencies

The Directors are of the opinion that no provisions are required in respect of parent entity contingencies.

NOTE 20: RELATED PARTY TRANSACTIONS

	2010 \$	2009 \$

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Annual Report production costs

Paid to a company of which Mr C R Grant-Foster is a director.	5,116	4,651
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Interests of Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2011.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

Specified Directors:

Short-term employee benefits	459,888	500,325
Post-employment benefits	79,860	40,796
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payments	2,275	6,795
	<u>542,023</u>	<u>547,916</u>

Specified Executives:

Short-term employee benefits	477,350	461,026
Post-employment benefits	42,962	41,492
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payments	4,050	12,095
	<u>524,362</u>	<u>514,613</u>

Options Granted as Compensation

	Grant Details				Value per Option at Grant Date	Terms & Conditions of Each Grant		
	Option Series	Grant Date	No.	Expense		Exercise Price	First Exercise Date	Last Exercise Date
Specified Directors					\$	\$	\$	
Mr S J McGregor		–	–	–	–	–	–	–
Mr B P Reichel	2008 Series B	Refer Table 1	–	2,275	Refer Table 1 for further details about Series B			
Mr C R Grant-Foster		–	–	–	–	–	–	–
Specified Executives								
Mr R G Nugara	2008 Series B	Refer Table 1	–	1,047	Refer Table 1 for further details about Series B			
Mr G J Kean	2008 Series B	Refer Table 1	–	1,638	Refer Table 1 for further details about Series B			
Mr F R Magrini	2008 Series B	Refer Table 1	–	1,365	Refer Table 1 for further details about Series B			
Total			–	6,324				

The fair value of options granted is calculated by valuing the options as at their grant date and allocating the value equally over the period from grant date to vesting date. For options granted under the 2008 Options Plan, the value per option at grant date was calculated as the volume weighted average (VWAP) price for shares in the Company traded on the ASX in the 30 day period prior to grant date. The exercise price is equal to the value per option at grant date. The 2008 Options Plan comprises two components: Series A and Series B. Series A options (28% of total) were granted on 1 July 2008 and vested on 30 June 2009. The full value for all Series A options therefore were included as Options Granted as Compensation in 2009 financial year. Series B options (72% of total) were granted progressively over the 2009 financial year, with 6% of the total being granted on the first day of each month during that year, commencing 1 July 2008. These options vest two years after each grant date. Accordingly, the value of Series B options included as Options Granted as Compensation in FY11 represent those options which progressively vested in FY11. This is the same for FY10. Series A and B options expire two years after each vesting date. Series A options expired on 30 June 2011, with none of these options having been exercised. Table 1 below provides further details of the Series B options.

Table 1 Series B Options	Grant Date	Exercise Price \$	First Exercise Date	Last Exercise Date	Percentage vested at 30.06.2011
	01/07/2008	0.072	01/07/2010	01/07/2012	100.0%
	01/08/2008	0.066	01/08/2010	01/08/2012	100.0%
	01/09/2008	0.060	01/09/2010	01/09/2012	100.0%
	01/10/2008	0.033	01/10/2010	01/10/2012	100.0%
	01/11/2008	0.038	01/11/2010	01/11/2012	100.0%
	01/12/2008	0.037	01/12/2010	01/12/2012	100.0%
	01/01/2009	0.034	01/01/2011	01/01/2013	100.0%
	01/02/2009	0.029	01/02/2011	01/02/2013	100.0%
	01/03/2009	0.025	01/03/2011	01/03/2013	100.0%
	01/04/2009	0.020	01/04/2011	01/04/2013	100.0%
	01/05/2009	0.018	01/05/2011	01/05/2013	100.0%
	01/06/2009	0.021	01/06/2011	01/06/2013	100.0%

There are no service and performance criteria to be met in determining the vesting of remuneration options. However, options will expire 12 months after termination of employment, if not exercised during that period.

Options & Rights Holdings

Number of Options held by Key Management Personnel

2011	Balance 01.07.10	Granted as Compen- sation	Options Exercised	Options Cancelled or Lapsed	Net Change Other	Balance 30.06.11	Total Vested 30.06.11	Total Exercisable 30.06.11	Total Un- exercisable 30.06.11
Specified Directors									
Mr S J McGregor	-	-	-	-	-	-	-	-	-
Mr B P Reichel	500,000	-	-	(140,000)	-	360,000	360,000	360,000	-
Mr C R Grant-Foster	-	-	-	-	-	-	-	-	-
Specified Executives									
Mr R G Nugara	230,000	-	-	(64,400)	-	165,600	165,600	165,600	-
Mr G J Kean	360,000	-	-	(100,800)	-	259,200	259,200	259,200	-
Mr F R Magrini	300,000	-	-	(84,000)	-	216,000	216,000	216,000	-
Total	1,390,000	-	-	(389,200)	-	1,000,800	1,000,800	1,000,800	-

2010	Balance 01.07.09	Granted as Compen- sation	Options Exercised	Options Cancelled or Lapsed	Net Change Other	Balance 30.06.10	Total Vested 30.06.10	Total Exercisable 30.06.10	Total Un- exercisable 30.06.10
Specified Directors									
Mr S J McGregor	-	-	-	-	-	-	-	-	-
Mr B P Reichel	750,000	-	-	(250,000)	-	500,000	140,000	140,000	360,000
Mr C R Grant-Foster	-	-	-	-	-	-	-	-	-
Specified Executives									
Mr R G Nugara	305,000	-	-	(75,000)	-	230,000	64,400	64,400	165,600
Mr G J Kean	410,000	-	-	(50,000)	-	360,000	100,800	100,800	259,200
Mr F R Magrini	390,000	-	-	(90,000)	-	300,000	84,000	84,000	216,000
Total	1,855,000	-	-	(465,000)	-	1,390,000	389,200	389,200	1,000,800

Shareholdings

Number of Shares held by Key Management Personnel

	Balance 01.07.10	Received as Compensation	Options Exercised	Net Change Other ¹	Balance 30.06.11
Specified Directors					
Mr S J McGregor	1,130,000	–	–	266,667	1,396,667
Mr B P Reichel	1,252,419	–	–	333,333	1,585,752
Mr C R Grant-Foster	602,886	–	–	–	602,886
Specified Executives					
Mr R G Nugara	–	–	–	–	–
Mr G J Kean	–	–	–	–	–
Mr F R Magrini	–	–	–	–	–
Total	2,985,305	–	–	600,000	3,585,305

¹ Net change other refers to shares purchased, sold and transferred as well as share entitlements exercised. Shareholdings includes those held directly, indirectly or beneficially by each key management personnel, including their personally-related entities.

Employment Contracts of Directors and Senior Executives

The employment conditions of the Chief Executive Officer and Managing Director, Mr Reichel, and the specified executives are formalised in contracts of employment. Mr Reichel's contract has no fixed term, but can be terminated by either party by giving six months' written notice, or (in the Company's case) paying six months' salary. The Company can terminate immediately at any time if the CEO commits a serious breach of the agreement, is guilty of serious misconduct, becomes bankrupt or is charged with a criminal offence, or significantly neglects his duties.

The specified executives are employed under contracts with no fixed term. The Company may terminate the contracts immediately if the executive is guilty of serious misconduct or wilful neglect of duties. Otherwise, the Company may terminate the contracts by giving three months' notice or paying three months' salary.

NOTE 21: SHARE-BASED PAYMENTS

Employee Remuneration Options

As reported in the 2009 Annual Report, the Board resolved to implement a new ESOP on 30 June 2008, designed to provide a more effective incentive to retain and motivate staff over the short to medium term, while preserving the Company's cash position. The grant of options rights provides an incentive that ultimately benefits both shareholders and option holders, as option holders will only benefit if the market price of the underlying shares exceeds the exercise price.

A total of 2.22 million options were issued to eligible employees. The fair value of the options granted was calculated by valuing the options at their grant date and allocating the value equally over the period from grant date to vesting date. The value per option at grant date was calculated as the volume weighted average price (VWAP) for shares in the Company traded on the ASX in the 30 day period prior to grant date.

The 2008 Options Plan comprises two components: Series A and Series B. Series A options (28% of total) were granted on 1 July 2008 and vested on 30 June 2009. Series B options (72% of total) were granted progressively over the 2009 financial year, with 6% of the total being granted on the first day of each month during the year, commencing 1 July 2008. These options vest two years after each grant date. Series A options expired on 30 June 2011 and B options expire two years after each vesting date.

There are no service and performance criteria to be met in determining the vesting of remuneration options. However, options will expire 12 months after termination of employment, if not exercised during that period.

Details of share options outstanding as at the end of year

Grant Date	Exercise/ Vesting Date	Expiry Date	Exercise Price	Economic Entity	
				30.06.11 No.	30.06.10 No.
Series A					
01.07.08	30.06.09	30.06.11	\$0.073	–	529,200
Series B					
01.07.08	01.07.10	01.07.12	\$0.072	113,400	113,400
01.08.08	01.08.10	01.08.12	\$0.066	113,400	113,400
01.09.08	01.09.10	01.09.12	\$0.060	113,400	113,400
01.10.08	01.10.10	01.10.12	\$0.033	105,600	113,400
01.11.08	01.11.10	01.11.12	\$0.038	105,600	113,400
01.12.08	01.12.10	01.12.12	\$0.037	105,600	113,400
01.01.09	01.01.11	01.01.13	\$0.034	105,600	113,400
01.02.09	01.02.11	01.02.13	\$0.029	105,600	113,400
01.03.09	01.03.11	01.03.13	\$0.025	104,760	113,400
01.04.09	01.04.11	01.04.13	\$0.020	104,760	113,400
01.05.09	01.05.11	01.05.13	\$0.018	104,760	113,400
01.06.09	01.06.11	01.06.13	\$0.021	104,760	113,400
				1,287,240	1,890,000

On 30 June 2011, all 529,200 Series A options of the 2008 Options Plan, lapsed, unexercised. Also, unvested options issued to two employees who left the Company during the year, were cancelled.

Movement in share options

	Number
Options outstanding at 30 June 2009	2,470,000
Granted	–
Exercised	–
Lapsed or cancelled	(580,000)
Options outstanding at 30 June 2010	1,890,000
Granted	–
Exercised	–
Lapsed or cancelled	(602,760)
Options outstanding at 30 June 2011	1,287,240
Options exercisable at 30 June 2011:	1,287,240
Options exercisable at 30 June 2010:	529,200

NOTE 22: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At the end of the reporting period the Directors were not aware of any contingent liabilities or contingent assets.

NOTE 23: FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise cash, together with trade debtors and trade creditors which arise directly from its operations. This note discloses the Group's objectives, policies and processes for managing and measuring a variety of risks associated with these financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. Two Way Limited does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are: interest rate risk; credit risk; liquidity risk and foreign exchange risk.

Objectives, policies and processes

Risk management is carried out by the Group's finance function under policies and objectives approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. The Board receives monthly financial reports on the Group's performance including, where applicable, any issues relating to financial risk management.

Specific information regarding the mitigation of each financial risk to which the Group is exposed is provided below.

(a) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk arises from cash and cash equivalents, as well as credit exposure to customers, including outstanding receivables and committed transactions. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairments of those assets, as disclosed in the statement of financial position and notes to the financial statements. The economic entity does not have any material credit risk exposure to any single debtor or group of debtors.

(b) Net Fair Values

For financial assets and liabilities the net fair value approximates their carrying value. By the date of this report, all trade debtors and trade creditors at the end of the reporting period had been settled in full.

(c) Interest Rate Risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

As at 30 June 2010, the economic entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial instrument is as follows:

	Weighted average effective interest rate		Floating interest rate		Non-interest bearing		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	%	%	\$	\$	\$	\$	\$	\$

Financial Assets

Cash and cash equivalents	5.13	4.19	234,588	742,581	–	–	234,588	742,581
Receivables	–	–	–	–	137,385	160,560	137,385	160,560
Total financial asset			234,588	742,581	137,385	160,560	371,973	903,141

Financial Liabilities

Trade and sundry creditors	–	–	–	–	150,243	243,935	150,243	243,935
Total financial liabilities	–	–	–	–	150,243	243,935	150,243	243,935

An assessment of the sensitivity of the Group's exposure to interest rate movements was performed, and was found to be immaterial for the purposes of this disclosure.

(d) Liquidity Risk

Liquidity risk arises from the Group's management of its working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Two Way Limited maintains cash to meet all its liquidity requirements and manages its liquidity by carefully monitoring cash outflows due in a day-to-day and week-to-week basis. Furthermore, the Group's long term liquidity needs are identified in its annual Board-approved budget, and updated on a quarterly basis through revised forecasts. The financial liabilities are due and payable within six months of the end of the reporting period.

At the end of the reporting period, these forecasts indicate that it is likely that further capital raising would be required within the next 12 months to meet the Group's obligations (refer Note10).

(e) Foreign Currency Risk

The Group's exposure to foreign currencies is currently limited to sales of its interactive games service to a customer in New Zealand. These sales, invoiced on a monthly basis, are not denominated in the Group's functional currency but rather, in New Zealand dollars. An assessment of the sensitivity of the New Zealand dollar receivable at the end of the reporting period was performed, including the impacts of an unfavourable exchange rate movement, and was found to be immaterial for the purposes of this disclosure.

The Group does not enter into any forward exchange contracts to buy or sell specified foreign currencies.

	Note	Parent Entity	
		2011 \$	2010 \$

NOTE 24: PREPAID WAGERING FEE

Cost		–	5,600,000
Accumulated amortisation		–	(1,545,035)
Accumulated impairment losses booked	(a)	–	(4,054,965)
Carrying amount at the end of the year		–	–

(a) As reported in the Company's 30 June 2010 Annual Report, a review of the carrying value of the prepaid wagering fee paid to Foxtel was performed in accordance with the provisions of AASB 136 Impairment of Assets. Subsequent to this review, the Directors determined that the current carrying value of the asset be fully expensed at 31 December 2009, resulting in an impairment loss of \$1,589,148. The write down in the value of the prepaid wagering fee was a non-cash item and had no impact on the ongoing operations, and did not adversely affect the prospects of the Company's TV wagering service.

NOTE 25: EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Company closed a non-renounceable rights issue on 22 July, and raised \$315,000 before underwriting costs. The proceeds were received on 29 July, and will be used to fund working capital.

On 20 September 2011, the Company announced that Mr Gerald Tan of Malaysia and his associates had agreed to invest up to \$2.04 million of expansion capital in the Company. The funds raised are to be used to exploit opportunities to expand the Company's TV wagering service and its other interactive media applications. In the immediate term, some of the funds are to be used to support the Company's comprehensive marketing campaign for its TV wagering service, for the 2011 Spring Racing Carnival. The terms of the investment involve the initial issue of 60 million ordinary shares in the Company to raise \$1.2 million at an issue price of 2 cents each. This capital will be invested in two stages, with an immediate injection of \$250,000 (via an issue of 12.5 million shares). The issue of the remaining 47.5 million shares, raising \$950,000, is subject to shareholder approval which is to be sought at the Company's Annual General Meeting. In addition Mr Tan will be issued with 30 million options, exercisable at 2.8 cents within 3 years, to raise up to \$840,000. These options are also subject to shareholder approval. Mr Gerald Tan has also accepted a Directorship of Two Way as a result of the investment.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 18 to 39 are in accordance with the Corporations Act 2001; and
 - a) comply with Accounting Standards, which, as stated in the accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Company and Economic Entity;
2. The Chief Executive Officer and Chief Financial 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 the Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view.
3. The remuneration disclosures set on pages 11 to 15 of the Directors' Report comply with accounting standards AASB124 Related Party Disclosures and the Corporations Regulations 2001; and
4. 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 on 27 September 2011.



Mr Stuart McGregor
Chairman



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TWO WAY LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying consolidated financial report comprising Two Way Limited (the company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 control 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.

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

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TWO WAY LIMITED AND CONTROLLED ENTITIES (CONT)

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- a) the financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial report, which indicates that the consolidated entity incurred a net loss of \$1,029,197 (2010: loss \$3,049,998) and had net cash outflows from operating activities of \$1,029,044 (2010: \$1,217,700) during the year ended 30 June 2011, and that the ability of the consolidated entity to continue as a going concern is dependent upon the consolidated entity being successful in accessing additional sources of funding.

These conditions, along with the other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 15 of the directors' report for the year ended 30 June 2011. 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TWO WAY LIMITED
AND CONTROLLED ENTITIES (CONT)***Auditor's Opinion*

In our opinion, the Remuneration Report of Two Way Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Two Way Limited for the year ended 30 June 2011 included on Two Way Limited's web site. The company's directors are responsible for the integrity of the Two Way Limited web site. We have not been engaged to report on the integrity of the Two Way Limited web site. The auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.



William Buck
Chartered Accountants
ABN 16 021 300 521



L.E. Tutt
Partner
Sydney, 27 September 2011

SHAREHOLDER INFORMATION

TOP TWENTY SHAREHOLDERS

At 31 August 2011 the top 20 registered shareholders held 113,801,436 shares in the Company, equivalent to 51.63% of the Company's ordinary unrestricted shares.

Top Twenty Holders of Ordinary Fully Paid Shares

Rank	Name	Number of Ordinary Shares	% Of Issued Capital
1	Ebank Com Pty Ltd, Ward Family A/C Attn: Robert Murray Ward PO Box 48 Collins Street West Melbourne VIC 8007	17,700,001	8.030
2	GFI Investments Pty Ltd Ward Super Fund A/C Attn: Robert Murray Ward PO Box 48 Collins Street West Melbourne VIC 8007	13,028,685	5.911
3	ABN AMRO Clearing Sydney Nominees P/L Custodian A/C Level 8, 50 Bridge St Sydney NSW 2000	8,051,003	3.653
4	Mr Stephen Alfred Aboud 27 Wentworth Street Point Piper NSW 2027	8,000,000	3.629
5	Mr Samuel Hewlings Chisholm 51 Douglas St St Ives NSW 2075	6,674,580	3.028
6	Mr John William Murray 27 Fitzwilliam Road Vaucluse NSW 2030	5,747,705	2.608
7	Whyte Superannuation Custodian Pty Ltd <Warneet Management PL SF A/C> Attn: Timothy Harrison GPO Box 4345 Sydney NSW 2001	5,133,333	2.329
8	HSBC Custody Nominees (Aust) Ltd GPO Box 5302 Sydney NSW 2001	5,010,327	2.273
9	Glenluce Properties Pty Ltd Glenluce Prop SFund A/C PO Box 1139 North Sydney NSW 2060	4,778,200	2.168
10	Screecree Pty Ltd Booran Directors S/F A/C 21 Wilks Avenue Malvern VIC 3144	4,660,322	2.114

Top Twenty Holders of Ordinary Fully Paid Shares (cont'd)

Rank	Name	Number of Ordinary Shares	% Of Issued Capital
11	Target Range Pty Ltd PO Box 389 Osborne Park WA 6917	4,437,834	2.013
12	Colin Bell Pty Ltd C/ – Portfolio Admin GPO BOX 4718 Melbourne VIC 3001	4,433,877	2.012
13	National Nominees Limited GPO Box 1406 Melbourne VIC 3001	4,417,895	2.004
14	Family Pty Ltd (Joske Superfund A/C) 12 The Panorama Eaglemont VIC 3084	4,363,642	1.980
15	UBS Wealth Management Australia Nominees Pty Ltd GPO Box 1257L Melbourne VIC 3001	4,267,539	1.936
16	Andsu Pty Limited (Lyll Super Fund A/C) 125 Victoria Rd Rozelle NSW 2039	3,034,442	1.377
17	Mr Lionel McFadyen & Mrs Jennifer June McFadyen McFadyen Super Fund A/C C/ – Portfolio Admin GPO Box 4718 Melbourne VIC 3001	2,749,583	1.247
18	Stephen Mahnken 240 Woollooware Road Burraneer NSW 2230	2,500,000	1.134
19	Cowara Pty Ltd PO Box 389 Osborne Park WA 6917	2,417,784	1.097
20	ABN AMRO Clearing Sydney Nominees P/L (DRP A/C) Level 8, 50 Bridge St Sydney NSW 2000	2,394,684	1.086

SUBSTANTIAL SHAREHOLDERS

At 31 August 2011 there was one substantial shareholder in the Company, as disclosed in substantial shareholder notices given to the Company:

Name of Substantial Holder	Number of Equity Securities
Robert Murray Ward	30,728,686

DISTRIBUTION OF SHAREHOLDINGS/UNMARKETABLE PARCELS

Range of Shares

Range	Total Holders	Units	% Issued Capital
1 – 1,000	29	10,078	0.005
1,001 – 5,000	68	225,387	0.102
5,001 – 10,000	59	516,637	0.234
10,001 – 100,000	259	10,478,484	4.754
100,001 – 9,999,999,999	188	209,190,418	94.905
Rounding			0.00
Total	603	220,421,004	100.000

Unmarketable Parcels

	Minimum Parcel Size	Holdings	Units
Minimum \$500.00 parcel at \$0.02 per unit	25,000.00	260	2,510,649

ISSUED SECURITIES

At 31 August 2011 the following securities were issued:

- 220,421,004 fully paid ordinary shares (the only quoted securities), held by 603 holders;
- 1,287,240 options (which are not quoted), held by 8 holders.

VOTING RIGHTS OF SHAREHOLDERS

The fully paid ordinary shareholders of the Company are entitled to vote at any meeting of the members of the Company, and their voting rights are:

- On a show of hands – one vote per shareholder; and
- On a poll – one vote per fully paid ordinary share.

ON MARKET BUY-BACK

There is no current on-market buy-back in respect of the Company's shares.

COMPANY DETAILS

Registered Office:

Suite 2.05
55 Miller St
Pyrmont NSW 2009

Share Registry:

Boardroom Pty Limited (previously Registries Ltd)
GPO Box 3993
Sydney NSW 2001

Principal Place of Business:

Suite 2.05
55 Miller St
Pyrmont NSW 2009

Auditor:

William Buck NSW
Level 29, 66 Goulburn Street

Company Secretary:

Mr Rointon Nugara

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