



ASX: TTV

**ASX RELEASE**

**12 September 2006**

**Two Way TV Australia Ltd  
FY06 Results Announcement**

Full year financial results issued today by interactive media company, Two Way TV Australia Limited, show an operating result largely in line with market guidance and expectations.

While Two Way reported an operating loss of \$3.8m, the first-time adoption of strict new accounting standards (AASB 136) has led to a further non-cash write-off of \$11.2m, relating to license options held by the company and goodwill on a recent acquisition.

As such, the company has reported a net loss of \$15m for the year ended 30 June 2006.

**Key Financial Information**

	<u>Actual</u>	<u>Forecast</u>	
Revenue	2.1m	2.4m	
Operating Costs	(5.9m)	(5.9m)	<i>(including D&amp;A)</i>
NPAT	(3.8m)	(3.5m)	<i>(excludes \$11.2m write-off)</i>

**Operations**

Chairman, Stuart McGregor said that, from an operating viewpoint, the results were in line with expectations.

“Apart from the \$11.2m non-cash write-off - which has obviously had a significant impact on the overall result - the operating results were largely in line with guidance provided to shareholders 12 months ago,” Mr McGregor said.

“Importantly, the figures released today should be seen in conjunction with the significant commercial and strategic developments made by the company in recent months.

“Underpinning these strategic and commercial positives is the development of an updated, clearly defined strategy for the business moving forward.

“The new strategy was articulated in a presentation lodged with the Australian Stock Exchange on 25 August, and will form the basis of an ongoing, more pro-active approach to communicating with key stakeholder groups.”



## Writing off licenses and goodwill

The \$11.2m write-off reported today by Two Way results from the company's adherence to the new and more conservative AIFRS standards. Specifically, the company has adopted AASB 136, *Impairment of Assets*, which applies to financial years beginning on or after 1 January 2005. Accordingly, FY06 is the first year in which the company has applied this strict new accounting standard.

The write-off specifically relates to the carrying value of the Asian license options acquired from Two Way Media Ltd (UK) (\$11.0m), and goodwill on the acquisition of Holotype Pty Ltd in September 2005 (\$0.2m).

Mr McGregor said: "With the implementation of the strategic plan by our Chief Executive Officer, the Board continues to see our focus as being Asia, and the Asian license options remain an important plank in our Asian rollout."

"Our cash position remains strong, with \$15.3m in the bank as at 30 June 2006."

## Highlights FY06

Operational highlights for the 2006 Financial Year include:

- Asia's leading media and entertainment company STAR Group will deploy Two Way's groundbreaking mobile-to-TV technology following completion of an agreement in March 2006. Two Way's technology allows STAR viewers to use their mobile phones to dynamically participate in TV programming such as quiz/game shows, news, talent programs, entertainment, news and sport. STAR's broadcasts reach 300 million people in 53 countries.
- Two Way signed an agreement with Hong Kong-based PCCW to provide interactive games to its 550,000 IPTV subscribers. It is the largest IPTV (Internet Protocol Television) roll-out in the world.
- Two Way games will be available in premium hotels throughout the Middle East and Asia after reaching an agreement with hotel in-room technology and entertainment provider, MagiNet.
- An agreement was reached with M2B Game World to provide interactive games on its Global Broadband TV service, with initial target markets North America and Asia.
- A two-year agreement with Sky News Australia now sees it using Two Way's mobile-to-TV technology to manage mobile phone communication from its viewers in Australia and New Zealand.

## Revised Strategy

Two Way has now clearly articulated that its major strategic focus is to be the interactive partner of choice across Asia Pacific.

Chief Executive Officer, Chris Grant-Foster said that: "Our focus is providing content, applications and services across three key verticals - wagering and gambling; casual games; and mobile to TV applications.



“In terms of content and applications, the company is well-positioned to continue to attract and develop further distribution channels and partners.”

A key component of the company’s overall strategy is to continue its efforts to complete the commercial deployment of an interactive TV wagering application in Australia. Two Way seeks to conclude agreements with distribution (pay-TV) and content (racing) partners in Australia by December 2006 at the latest. The company has confirmed separately that it is in discussions with Tabcorp and an Australian pay TV operator.

A key emphasis of future content development will be to ensure that it applies to more than just TV – the addition of Broadband and Mobile will give Two Way a triple-play position.

Two Way also plans to establish a platform to distribute its own interactive games in the forthcoming financial year. A portal branded by Two Way will distribute ‘pay-to-play’ games directly to consumers. This platform will complement the company’s existing third-party distribution agreements.

Asia will be a focus of the future. The company will be looking to outsource more production to Asia as a means of reducing operating costs. Asia is also a business development priority, particularly for wagering and interactive games.

Mr. Grant-Foster noted that: “The Board has resolved to seek shareholder approval to change the name of the company from Two Way TV Australia Limited to Two Way Limited. This reflects that fact that we are not limited to TV – we make content interactive across any screen. And we are certainly not limited to Australia, given the increasing importance of our Asian business. Everyone calls us Two Way in any case. Our tagline is Interactive Entertainment, which succinctly describes what we do.”

## **Outlook for FY07**

As noted above, Two Way has signed a number of recent deals with new distribution partners, and expects to sign more deals in the coming months. In most cases, the revenue from these deals requires some time to mature. For example, the deal with PCCW was signed in July 2006. Two Way’s interactive games are currently available on a trial basis to PCCW’s customers, with a full commercial deployment expected to start in November 2006. Subscriber numbers for the games service are expected to build over time, in line with Two Way’s experience of games deployments on other platforms. Accordingly, significant revenue from this deal is expected to flow from the second half of FY07.

Further, Two Way expects that the benefits of the revised strategy now being articulated by the company will start to have an impact in the second half of FY07, and have full impact in FY08.

On this basis, Two Way expects that FY07 revenue will grow by around 30% from FY06. Leaving aside the impact of the non-cash write-off announced today, the operating result is also expected to improve, but it will not fully reflect the growth in revenue. This is due to an expected increase in non-cash costs, specifically amortization of the capitalized staff costs of developing interactive games and other products which are now being deployed.

Mr. Grant-Foster commented that: “The hard decisions which we are now making will place us in a good position to exploit the many opportunities which we see in the Asian



market. As digital television, IPTV and broadband are more widely adopted across the region, we will be well placed to exploit our skills in “Interactive Entertainment”.

Mr. Grant-Foster also said: “Two Way is on the look out for acquisition opportunities across Asia, primarily as a means of fast-forwarding the roll-out of our business across the region. We will also consider acquisition of businesses that complement our portfolio of interactive services for television and other platforms.”

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**For further information:**

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**ABOUT TWO WAY TV AUSTRALIA (ASX: TTV)**

Two Way’s strategic focus is to be the interactive partner of choice in Asia Pacific, providing content, applications and services across three key verticals:

- Wagering and Gambling
- Casual Games
- Mobile to TV Applications

Through its exclusive license agreements with Two Way Media Ltd (UK) and Zone4Play Inc (US), Two Way has access to the world’s largest library of interactive TV applications, as well as leading-edge mobile and gambling applications.

Two Way’s products and services reach a potential audience of 162 million people across seven countries, via distribution agreements with leading media groups including Foxtel, Austar, Sky New Zealand, Sky News Australia, STAR, PCCW, and MagiNet.

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# **TWO WAY TV AUSTRALIA LIMITED & CONTROLLED ENTITIES**

ABN 28 007 424 777

**ASX Preliminary final report – 30 June 2006**

Lodged with the ASX under Listing Rule 4.3.A

This information should be read in conjunction with the 30 June 2006 Annual Report

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Two Way TV Australia Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## Corporate Information

ABN 28 007 424 777

### Directors

Mr Stuart James McGregor	(Non-Executive Chairman)
Mr James Edward McKay	(Executive Director)
Mr James David McKerlie	(Non-Executive Director)
Mr Marco Salvatore Carlei	(Non-Executive Director)
Mr Joshua Adam Mantello	(Non-Executive Director)

### Company Secretary

Mr Ben Reichel

### Registered Office

Level 3  
55 Pyrmont Bridge Road  
Pyrmont NSW 2009

### Bankers

ANZ Banking Group

### Share Register

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford Victoria 3067

### Auditors

William Buck Chartered Accountants

## Results for Announcement to the Market

<b>Revenue</b> from ordinary activities	Up	69%	To	2,114,569
<b>Loss</b> from ordinary activities before impairment losses	Up	64%	To	(3,834,963)
<b>Net Loss</b> after impairment losses and tax attributable to members	Up	543%	To	(15,015,023)

### Dividends/distributions

The directors do not recommend the payment of a dividend.

Reporting Period: Year ended 30 June 2006

Previous Corresponding Period: Year ended 30 June 2005

## Review of Operations

A summary of consolidated revenues and results is set out below:

	Note	Consolidated	
		2006	2005
		\$	\$
<b>Revenue</b>			
Service		1,067,960	562,799
Interest – other persons		1,046,609	677,131
Other		-	9,500
<b>Total revenue</b>		<b>2,114,569</b>	<b>1,249,430</b>
Employee benefits expenses		(2,777,488)	(1,151,901)
Borrowing costs		-	(52,749)
Depreciation and amortisation		(347,017)	(112,804)
Operations and administration		(2,825,027)	(2,268,401)
<b>Expenses from ordinary activities</b>		<b>(5,949,532)</b>	<b>(3,585,855)</b>
<b>Loss from ordinary activities before income tax</b>		<b>(3,834,963)</b>	<b>(2,336,425)</b>
Impairment losses		(11,180,060)	-
Income tax attributable to operating profit		-	-
<b>Net loss attributable to members</b>		<b>(15,015,023)</b>	<b>(2,336,425)</b>

Comments on the operations and results of those operations are set out below:

### Explanation of revenue

- Service revenue, comprising games and other interactive applications, grew by 90% on the previous year reflecting increased penetration of the Economic Entity's interactive games services (including the launch of a games channel in New Zealand); together with equipment sales to, and development revenues from, Asia.
- Interest/distribution income grew 55% reflecting the benefit of significant cash holdings for a full year.

### Explanation of loss from ordinary activities

- Loss from ordinary activities was largely in line with expectations. The increase in costs reflects the significant ramp up in activities during 2006 as the Company pursued its growth strategy, especially into Asia.

### Explanation of net loss

- The \$11.2m non-cash write-off is a result of the first time adoption of the new, more conservative Australian equivalents to International Financial Reporting Standards (AIFRS), and specifically, AASB 136 *Impairment of Assets*.
- The write-off relates to the carrying value of the Asian licence options acquired in December 2004 from Two Way Media Ltd (UK) (\$11m), and goodwill on acquisition of Holotype Pty Ltd in September 2005 (\$0.2m).

**1. PRELIMINARY CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED  
30 JUNE 2006**

	Note	Consolidated	
		2006 \$	2005 \$
Revenue from ordinary activities	5.1	2,114,569	1,249,430
Employee benefits expense		(2,777,488)	(1,151,901)
Depreciation and amortisation		(347,017)	(112,804)
Professional and consulting fees		(550,605)	(712,539)
Travel		(476,103)	(457,176)
Licence fees		(850,564)	(285,878)
Administration expenses		(295,933)	(376,009)
Borrowing costs		-	(52,749)
Other expenses from ordinary activities		<u>(651,822)</u>	<u>(436,799)</u>
Loss from ordinary activities		<b>(3,834,963)</b>	(2,336,425)
Impairment of assets	5.5	<b>(11,180,060)</b>	-
Income tax expense	5.2	<u>-</u>	<u>-</u>
Loss from continuing operations		<u><b>(15,015,023)</b></u>	<u>(2,336,425)</u>
<b>NET LOSS</b>		<u><b>(15,015,023)</b></u>	<u>(2,336,425)</u>
Basic earnings per share (cents per share)	5.6	<b>(16.67)</b>	(3.58)
Diluted earnings per share (cents per share)	5.6	<b>(16.67)</b>	(3.58)

*The above preliminary consolidated income statement should be read in conjunction with the accompanying notes.*

**2. PRELIMINARY CONSOLIDATED BALANCE SHEET  
FOR THE YEAR ENDED  
30 JUNE 2006**

	Note	Consolidated	
		2006 \$	2005 \$
<b>CURRENT ASSETS</b>			
Cash	5.4	15,316,479	19,734,917
Receivables		231,929	142,836
Other		97,663	105,484
<b>TOTAL CURRENT ASSETS</b>		<b>15,646,071</b>	<b>19,983,237</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		551,419	573,588
Intangible assets	5.5	-	11,012,185
Other		1,551,390	705,163
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,102,809</b>	<b>12,290,936</b>
<b>TOTAL ASSETS</b>		<b>17,748,880</b>	<b>32,274,173</b>
<b>CURRENT LIABILITIES</b>			
Payables		400,526	451,357
Provisions		349,310	200,062
<b>TOTAL CURRENT LIABILITIES</b>		<b>749,836</b>	<b>651,419</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		19,734	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>19,734</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>769,570</b>	<b>651,419</b>
<b>NET ASSETS</b>		<b>16,979,310</b>	<b>31,622,754</b>
<b>EQUITY</b>			
Contributed equity		52,908,876	52,813,875
Reserves	5.7	(7,205,809)	(7,482,387)
Accumulated losses	5.8	(28,723,757)	(13,708,734)
Parent entity interest		16,979,310	31,622,754
<b>TOTAL EQUITY</b>		<b>16,979,310</b>	<b>31,622,754</b>

*The above preliminary consolidated balance sheet should be read in conjunction with the accompanying notes.*

**3. PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED  
30 JUNE 2006**

	Contributed Equity \$	Retained Profits \$	Share Issue Expense Reserve \$	Employee Options Reserve \$	Total \$
<b>Balance at 1.7.2004</b>	9,102,950	(11,372,309)			(2,269,359)
Profit/(loss) attributable to members of parent entity		(2,144,114)			(2,144,114)
Share issue expense reserve			(7,674,698)		(7,674,698)
Share entitlements	119,913				119,913
Options exercised	495,012				495,012
Share issue - AEP Trust Number 3 LP	3,096,000				3,096,000
Public Offer	40,000,000				40,000,000
Shares issued to key management personnel		(192,311)		192,311	-
<b>Balance at 30.06.2005</b>	<u>52,813,875</u>	<u>(13,708,734)</u>	<u>(7,674,698)</u>	<u>192,311</u>	<u>31,622,754</u>
<b>Balance at 1.7.2005</b>	52,813,875	(13,708,734)	(7,674,698)	192,311	31,622,754
Profit/(loss) attributable to members of parent entity		(15,015,023)			(15,015,023)
Employee share options issued				276,579	276,579
Shares issued to key management personnel	95,000				95,000
<b>Balance at 30.06.2006</b>	<u>52,908,875</u>	<u>(28,723,757)</u>	<u>(7,674,698)</u>	<u>468,890</u>	<u>16,979,310</u>

*The above preliminary consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**4. PRELIMINARY CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED  
30 JUNE 2006**

	Note	Consolidated	
		2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,061,661	507,288
Payments to suppliers and employees		<b>(6,083,588)</b>	(4,348,379)
Interest received		983,162	677,086
Borrowing costs		-	(109,417)
		<hr/>	<hr/>
Net cash provided by (used in) operating activities	5.3	<b><u>(4,038,765)</u></b>	<b><u>(3,273,422)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		<b>(206,318)</b>	(596,962)
Purchase of intangibles – Asian options		-	(11,012,185)
Purchase of businesses – Holotype Pty Ltd		<b>(173,355)</b>	-
		<hr/>	<hr/>
Net cash provided by (used in) investing activities		<b><u>(379,673)</u></b>	<b><u>(11,609,147)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares and options		-	40,000,010
Proceeds from borrowings		-	140,941
Repayment of borrowings		-	(1,034,344)
Payment of share issue expenses		-	(4,519,520)
		<hr/>	<hr/>
Net cash provided by (used in) financing activities		-	<b><u>34,587,087</u></b>
Net increase in cash held		<b>(4,418,438)</b>	19,704,518
Cash at beginning of year		<b><u>19,734,917</u></b>	<u>30,399</u>
Cash at end of year	5.4	<b><u>15,316,479</u></b>	<b><u>19,734,917</u></b>

*The above preliminary consolidated cash flow statement should be read in conjunction with the accompanying notes.*

**5. NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2005**

	Note	Consolidated	
		2006 \$	2005 \$
<b>Note 5.1: Revenue</b>			
Revenue from operating activities			
- Service revenue		1,067,960	562,799
Revenue from non-operating activities			
- Interest – other persons		1,046,609	677,131
- Proceeds on disposal of plant and equipment		-	9,500
		1,046,609	686,631
Total revenue		2,114,569	1,249,430
<b>Note 5.2: Income Tax Expense</b>			
Prima facie income tax/ (credit) calculated at 30% on the operating loss		(4,504,507)	(700,927)
Tax effect of permanent difference		(148,935)	(479,392)
Timing differences		(18,739)	(36,782)
Future income tax benefit not brought to account		4,672,181	1,217,101
Income tax attributable to operating loss		-	-
<b>Note 5.3: Reconciliation of net loss from ordinary activities after tax to net cash inflow from operating activities</b>			
Loss from ordinary activities after income tax		(3,834,963)	(2,336,425)
Non-cash flows in loss from ordinary activities			
Depreciation and amortisation		347,017	112,804
Net loss on disposal of plant and equipment		3,731	4,104
Foreign exchange loss		3,014	723
Issued shares to employee expensed		95,000	-
Employee options expensed		276,579	192,311
Change in assets and liabilities			
Increase/ (decrease) in receivables		(89,093)	(117,173)
Increase/ (decrease) in other assets		(958,201)	(480,597)
(Increase) /decrease in trade creditors and accruals		(50,831)	(167,331)
(Increase) /decrease in provisions		168,982	(481,838)
Net cash inflow from operating activities		(4,038,765)	(3,273,422)

	Note	Consolidated	
		2006 \$	2005 \$
<b>Note 5.4: Cash Assets</b>			
Cash at bank		<b>15,316,479</b>	19,734,917
<b>Note 5.5: Intangible Assets</b>			
(a) Asian licence options			
At cost		<b>11,012,185</b>	11,012,185
Impairment loss		<b>(11,012,185)</b>	-
Net carrying value of asset		-	11,012,185
(b) Goodwill on acquisition of Holotype Pty Ltd			
At cost		<b>167,875</b>	-
Impairment loss		<b>(167,875)</b>	-
Goodwill carried forward		-	-
Total Impairment (Loss)		<b>(11,180,060)</b>	-
<b>Note 5.6: Earnings per share</b>			
(a) Net Loss / Earnings used in the calculation of basic EPS		<b>(15,015,023)</b>	(2,336,425)
(a) Net Loss / Earnings used in the calculation of dilutive EPS		<b>(15,015,023)</b>	(2,336,425)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		<b>90,089,589</b>	65,224,354
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS		<b>90,089,589</b>	65,224,354
(c) Classification of Securities			
The ownership-based remuneration scheme with 5 million shares remaining unconverted at year-end is not included in basic of dilutive EPS as the issue of options is contingent upon future events. As at reporting date, conditions which would result in the issue of shares had not been obtained.			
<b>Note 5.7: Reserves</b>			
Share issue expense <sup>1</sup>		<b>(7,674,699)</b>	(7,674,698)
Employee options reserve <sup>2</sup>		<b>468,890</b>	192,311
Total Reserves		<b>(7,205,580)</b>	(7,482,387)

1: Consists of costs incurred in relation to initial public offer (IPO)

2: Prior year comparative adjusted for first time adoption of AIFRS

**Note 5.8: Accumulated losses**

Accumulated losses at the beginning of the financial year	<b>(13,708,734)</b>	(11,372,309)
Accumulated losses for the current year	<b>(15,015,023)</b>	(2,144,114)
Adjustment to opening retained earnings on first time adoption of AIFRS (employee options expense)	-	(192,311)
Accumulated losses at the end of the financial year	<b><u>(28,723,757)</u></b>	<u>(13,708,734)</u>

**Note 5.9: NTA Backing**

	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
Net tangible asset backing per ordinary share	<b><u>18.84 cents per share</u></b>	<u>22.12 cents per share</u>

**Note 5.10: Audit**

This report is based on accounts which are currently in the process of being audited.

## 6. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Economic Entity			
	Previous GAPP at 30.06.2005	Adjustment on Introduction of Australian Equivalents to IFRS	Australian Equivalents to IFRS at 30.06.2005
	\$	\$	\$
<b>Reconciliation of Equity as at 30 June 2005</b>			
<b>Current Assets</b>			
Cash	19,734,917	-	19,734,917
Trade & other receivables	142,836	-	142,836
Other	105,484	-	105,484
<b>Total Current Assets</b>	<u>19,983,237</u>	<u>-</u>	<u>19,983,237</u>
<b>Non-Current Assets</b>			
Plant & equipment	573,588	-	573,588
Intangible assets	11,012,185	-	11,012,185
Other	705,163	-	705,163
<b>Total Non-Current Assets</b>	<u>12,290,936</u>	<u>-</u>	<u>12,290,936</u>
<b>Total Assets</b>	<u>32,274,173</u>	<u>-</u>	<u>32,274,173</u>
<b>Current Liabilities</b>			
Payables	451,357	-	451,357
Provisions	200,062	-	200,062
<b>Total Current Liabilities</b>	<u>651,419</u>	<u>-</u>	<u>651,419</u>
<b>Non -Current Liabilities</b>			
Provisions	-	-	-
<b>Total Non-Current Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>651,419</u>	<u>-</u>	<u>651,419</u>
<b>Net Assets</b>	<u>31,622,754</u>	<u>-</u>	<u>31,622,754</u>
<b>Equity</b>			
Contributed equity	52,813,875	-	52,813,875
Reserves	(7,674,698)	192,311	(7,482,387)
Accumulated losses	(13,516,423)	(192,311)	(13,708,734)
<b>Total Equity</b>	<u>31,622,754</u>	<u>-</u>	<u>31,622,754</u>

## 6. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Con't).

	Economic Entity		
	Previous GAAP	Effect of Transition to Australian Equivalents to IFRS	Australian Equivalents to IFRS
	\$	\$	\$
<b>Reconciliation of Profit or Loss</b>			
<b>Full Year to 30 June 2005</b>			
Revenue from ordinary activities	1,249,430	-	1,249,430
Employee benefits expense	(959,590)	(192,311)	(1,151,901)
Depreciation and amortisation	(112,804)	-	(112,804)
Professional and consulting fees	(712,539)	-	(712,539)
Travel	(457,176)	-	(457,176)
Licence fees	(285,878)	-	(285,878)
Administration expenses	(376,009)	-	(376,009)
Borrowing costs	(52,749)	-	(52,749)
Other expenses from ordinary activities	(436,799)	-	(436,799)
	<hr/>	<hr/>	<hr/>
Loss from ordinary activities before tax	(2,144,114)	(192,311)	(2,336,425)
Income tax relating to ordinary activities	-		
Loss from ordinary activities after tax	(2,144,114)	(192,311)	(2,336,425)
	<hr/>	<hr/>	<hr/>
<b>Net loss</b>	<u>(2,144,114)</u>	<u>(192,311)</u>	<u>(2,336,425)</u>

### Notes to the reconciliation of equity and profit and loss at 30 June 2005

- (a) Share based payments – under AASB2 *Share-based Payments* the fair value of employee options are required to be expensed to the profit and loss and reflected in Employee Options Reserve.
- (b) No other adjustments required to 1 July 2004.

## 7. BASIS OF PREPARATION OF PRELIMINARY FINAL REPORT

This general purpose financial report for the reporting period ended 30 June 2006 has been prepared in accordance with requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory reporting requirements.

The financial report complies with the Australian Accounting Standards, which include equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures the financial statements and notes thereto, complies with the International Financial Reporting Standards (IFRS).

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Two Way TV Australia Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This preliminary final report including the commentary on Group results was approved pursuant to a resolution of the board of directors on 12 September 2006.