



ASX: TTV

ASX RELEASE

28 February 2007

Half Year Financial Report

Two Way Limited today released its financial report and accounts for the six month period ending 31 December 2006.

The results are in line with company expectations and reflective of Two Way's ongoing focus on monetising its existing agreements and establishing further key commercial partnerships in Australasia and throughout Asia.

Key Financial Information	1H06	1H05	%
Revenue from Ordinary Activities	1,053,278	1,017,696	3.5
Net profit (loss)	(2,086,899)	(1,916,415)	8.9
Net asset backing per share	16.6c	20.8c	

Two Way also advised that its cash position remains strong, with a net cash balance of \$12,768,943 as at 31 December 2006.

Chairman, Stuart McGregor said that the results were an accurate reflection of where the company stood in terms of its growth expectations.

"Two Way has established significant commercial partnerships since listing and, in many ways, has outperformed expectations in terms of the relationships it has been able to establish throughout Asia," Mr McGregor said.

"Many of these relationships now require a more operational focus and, as such, our resources have now turned to bedding down our products and generating revenue from existing commercial arrangements as quickly as possible.

"However, the company also has some pending business development priorities, including the finalisation of an interactive wagering agreement in the Australian market.

"This agreement, in particular, has the complete focus of Board and management and shareholders will be kept informed of the progress of negotiations," he said.

"The senior management team is also particularly focused on closely managing Two Way's cost base," he said. "It is important for the business to continue to grow, but without any unnecessary drain on the company's cash reserves."



Operational Highlights

Mr McGregor said that the six month period to 31 December also marked the completion of three major agreements.

“In this reporting period we established agreements to provide interactive gaming services to PCCW, Maginet and M2B Game World,” he said. “These agreements ensure that Two Way games are now available in key international markets.”

The agreement with Hong Kong-based PCCW – which has the largest IPTV (Internet Protocol Television) service in the world – will see Two Way’s interactive games offered to PCCW’s 550,000 IPTV subscribers.

Two Way’s casual games will also be available in hotels throughout the Middle East and Asia following the completion of an agreement with MagiNet, which is a leading provider of hotel in-room technology and entertainment.

The agreement with M2B Game World will see Two Way provide interactive games to its North America and Asian Global Broadband TV customers.

Casual Games

During this reporting period, Two Way also acquired the exclusive global rights to develop and sell the PC download version of one of the world’s fastest growing and highest profile casual games, Tringo.

The three-year agreement covers all play-for-fun and promotional use of Tringo in PC download format.

The deal also delivers exclusive rights to offer the interactive TV version of Tringo in the major Asian markets.

Two Way will soon launch Tringo within the virtual world of Second Life.

Global Representation

“Two Way’s appetite for the broader Asian market was emphasised with the opening of an office in Hong Kong, and we are also currently considering the commercial benefits of establishing a similar office in China,” said Mr McGregor.

“Apart from delivering better service to our existing customers in the region, these offices also ensure Two Way is better positioned to identify business growth opportunities.”

For further information:

Chris Muldoon, Colvin Communications
(02) 9455 9464 or 0411 157 914



ABOUT TWO WAY LIMITED (ASX: TTV)

Two Way is the leading provider of interactive applications and technology in Asia Pacific. Our competitive strengths include our patented technology, library of interactive applications, and exclusive content which can be deployed on TV, mobile or internet.

Our interactive wagering application offers an extensive range of bet types and form guides, and utilises the latest synchronisation technology to enhance the user experience. This technology is now being applied to sports betting applications, including play for prizes and play for real.

Two Way has developed an extensive catalogue of casual games which are being deployed on Open TV and IPTV platforms, and will soon be available for mobile handsets and PCs via our casual games portal at www.way2play.com.

Two Way has rapidly grown its portfolio of mobile to TV interactive products for both casual games and wagering applications. Our Simcast product allows mobile phone users to interact with TV broadcasts in real time, without the need for a set top box, and gives the broadcaster complete flexibility.

Two Way's services are currently deployed by leading free to air and pay TV operators in Australia, New Zealand, Hong Kong, China and India. Our clients include Tabcorp, STAR Asia, PCCW, Foxtel, Sky New Zealand and Maginet.

To learn more about Two Way visit www.twowaytv.com.au



Appendix 4D – Half Year Report

Two Way Limited and Controlled Entities ABN 28 004 777 424

Results for Announcement to the Market Half-Year ended 31 December 2006

Summary of Results

Consolidated Results	2006 \$A	2005 \$A	Change \$A	%
Revenues from ordinary activities	1,053,278	1,017,696	35,582	3.5
Net profit (loss) from ordinary activities after tax attributable to members	(2,086,899)	(1,916,415)	(170,484)	8.9
Net profit (loss) attributable to members	(2,086,899)	(1,916,415)	(170,484)	8.9

Previous Corresponding Period

The comparison is to the period ending 31 December 2005.

Net Tangible assets per security	2006	2005
Net tangible asset backing per ordinary security (cents)	16.6	20.8

Dividends (distributions)

No dividend payments are proposed and none were paid during the period.

Key Developments

A commentary on the results for the period is contained in the press release dated 28 February 2007 accompanying this statement.

TWO WAY LIMITED & CONTROLLED ENTITIES

ABN 28 007 424 777

Half-Year Financial Report

31 December 2006

TWO WAY LIMITED & CONTROLLED ENTITIES

Corporate Information

(as at 31 December 2006)

ABN 28 007 424 777

Directors

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

Company Secretary

Mr Ben Reichel

Registered Office

Level 3, City West Centre
55 Pyrmont Bridge Road
Pyrmont NSW 2009

Principal Place of Business

Level 3, City West Centre
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

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TWO WAY LIMITED & CONTROLLED ENTITIES

Directors' Report

The Directors present their report on the consolidated entity consisting of Two Way Limited (the Company) and its controlled entities for the half-year ended 31 December 2006.

Directors

The following persons were directors of Two Way Limited during the whole of the half-year and up to the date of this report:

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

Review of operations

The Company continues to develop and implement its strategy as the leading provider of interactive applications and technology in Asia Pacific.

The Company has established significant commercial partnerships since listing, especially in Asia. The focus now is on generating revenue from existing commercial arrangements as quickly as possible. In addition, the Board and management are focused on the completion of a proposed deal to deploy an interactive television wagering service in Australia.

In the period under review, the Company completed three major agreements in Asia Pacific, with PCCW, Maginet and M2B Game World. The Company also informed the market of its new strategic focus under the new management team, which includes careful cost management. In addition, the Company progressed its casual games strategy by acquiring the exclusive global rights to develop and sell the PC download version of one of the world's fastest growing and highest profile casual games, "Tringo".

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 4 of this half-year ended 31 December 2006 report.

Signed in accordance with a resolution of the Directors:



Mr S. J. McGregor
Director

Dated 28th February 2007

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, in relation to our review of Two Way Limited for the half year ended 31 December 2006 there have been:

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



William Buck
Chartered Accountants

Ken Glynn
Partner

Dated this 28th day of February 2007

Melbourne, Australia.

TWO WAY LIMITED & CONTROLLED ENTITIES**Consolidated Income Statement
Half-Year ended 31 December 2006**

	31/12/2006	31/12/2005
	\$	\$
Revenue	1,053,278	1,017,696
Employee benefits expense	1,428,897	1,378,722
Depreciation and amortisation	332,378	134,518
Professional and consulting fees	144,035	327,408
Travel	243,553	278,702
Licence fees	504,846	357,762
Administration expenses	387,131	317,832
Borrowing costs	-	-
Other expenses	99,337	139,167
	<hr/>	<hr/>
Loss before tax	(2,086,899)	(1,916,415)
Income tax expense	-	-
	<hr/>	<hr/>
Net Loss	(2,086,899)	(1,916,415)
	<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share (cents per share)	-2.32	-2.13
Diluted earnings per share (cents per share)	-2.32	-2.13

The Consolidated Income Statement is to be read in conjunction with the Notes to the Financial Statements.

TWO WAY LIMITED & CONTROLLED ENTITIES

**Consolidated Balance Sheet
As at 31 December 2006**

	Economic Entity	
	31.12.2006	30.06.2006
	\$	\$
Current Assets		
Cash	12,768,943	15,316,479
Trade & other receivables	250,788	231,929
Other	310,930	97,663
Total Current Assets	<u>13,330,661</u>	<u>15,646,071</u>
Non-Current Assets		
Plant & equipment	519,925	551,419
Intangible assets	-	-
Other	1,816,536	1,551,390
Total Non-Current Assets	<u>2,336,461</u>	<u>2,102,809</u>
Total Assets	<u>15,667,122</u>	<u>17,748,880</u>
Current Liabilities		
Payables	378,871	400,526
Provisions	309,635	349,310
Total Current Liabilities	<u>688,506</u>	<u>749,836</u>
Non-Current Liabilities		
Provisions	19,269	19,734
Total Non-Current Liabilities	<u>19,269</u>	<u>19,734</u>
Total Liabilities	<u>707,775</u>	<u>769,570</u>
Net Assets	<u>14,959,347</u>	<u>16,979,310</u>
Equity		
Contributed equity	52,908,875	52,908,875
Reserves	(7,138,873)	(7,205,808)
Accumulated losses	(30,810,655)	(28,723,757)
Total Equity	<u>14,959,347</u>	<u>16,979,310</u>

The Consolidated Balance Sheet is to be read in conjunction with the Notes to the Financial Statements.

TWO WAY LIMITED & CONTROLLED ENTITIES

Consolidated Statement of Changes in Equity
Half-Year ended 31 December 2006

	Contributed Equity \$	Retained Profits \$	Share Issue Expense Reserve \$	Employee Options Reserve \$	Total \$
Balance at 1.7.2005	52,813,875	(13,708,734)	(7,674,698)	192,311	31,622,754
Profit/(loss) attributable to members of parent entity		(1,916,415)			(1,916,415)
Shares issued to employee 1/8/05 @ \$0.95 per share	95,000				95,000
Employee share options issued				126,000	126,000
Balance at 31.12.2005	<u>52,908,875</u>	<u>(15,625,149)</u>	<u>(7,674,698)</u>	<u>318,311</u>	<u>29,927,339</u>
Balance at 1.7.2006	52,908,875	(28,723,757)	(7,674,699)	468,890	16,979,310
Profit/(loss) attributable to members of parent entity		(2,086,899)			(2,086,899)
Employee share options issued				66,936	66,936
Balance at 31.12.2006	<u>52,908,875</u>	<u>(30,810,655)</u>	<u>(7,674,699)</u>	<u>535,826</u>	<u>14,959,347</u>

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements.

TWO WAY LIMITED & CONTROLLED ENTITIES**Consolidated Cash Flow Statement
Half-Year ended 31 December 2006**

	Economic Entity	
	31.12.2006	31.12.2005
	\$	\$
Cash Flows from Operating Activities		
Receipts from customers	569,597	446,517
Payments to suppliers and employees	(3,525,128)	(3,015,659)
Interest received	485,140	513,854
Net cash provided by (used in) operating activities	<u>(2,470,392)</u>	<u>(2,055,288)</u>
Cash Flows from Investing Activities		
Purchase of plant and equipment	(77,144)	(127,395)
Purchase of entity	-	(173,355)
Net cash provided by (used in) investing activities	<u>(77,144)</u>	<u>(300,750)</u>
Cash Flows from Financing Activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash held	(2,547,536)	(2,356,038)
Cash at 1 July	15,316,479	19,734,917
Cash at 31 December	<u><u>12,768,943</u></u>	<u><u>17,378,879</u></u>

The Consolidated Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements.

**Notes to the Half-Year Financial Statements
31 December 2006**

Reporting Entity

Two Way Limited (the “Company”) is a company domiciled in Australia. The consolidated half-year financial report of the Company as at and for the six months ended 31 December 2006 comprises the Company and its controlled entities (together referred to as the “Group” or “Consolidated Entity”).

Statement of Compliance

The consolidated half-year financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The consolidated half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Two Way Limited and its controlled entities during the half year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

This consolidated half-year financial report was approved by the Board of Directors on 22nd February 2007.

1. Significant Accounting Policies

The accounting policies applied in preparing the financial statements for the half-year ended 31 December 2006, are consistent with those applied in preparing the comparative information presented in these financial statements and are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2006.

TWO WAY LIMITED & CONTROLLED ENTITIES

Note 2: Segment Reporting

i. Primary Reporting – Business Segments

The economic entity operates in a single business segment, being the management and development of interactive applications.

ii. Secondary Reporting – Geographical Segments

	Segment Revenues		Carrying amount of Segment Assets		Acquisition of Non-Current Segment Assets	
	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$
Aust / NZ	977,697	957,696	15,463,784	19,693,417	63,764	409,796
Asia	75,581	60,000	203,338	11,012,185	14,561	-
	1,053,278	1,017,696	15,667,122	30,705,602	78,325	409,796

iii. Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable and accrued expenses.

Segment assets and liabilities do not include deferred income taxes.

Directors' Declaration

The directors of the company declare that:

- 1. The financial statements and notes as set out on pages 5 - 10:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) Give a true and fair view of the economic entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date.

- 2. In the Director's 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.

Director



S. J. McGregor

Dated this

28th day of February 2007

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF

TWO WAY LIMITED

ABN 28 007 424 777

Scope

We have reviewed the Financial Report of Two Way Limited for the half year ended 31 December 2006 comprising the Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Cash Flow Statement and the Statement of Changes in Equity, notes to and forming part of the financial statements and the Directors' Declaration.

The Financial Report includes the financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the half year financial report.

We have performed an independent review of the half year financial report in order to state whether, on the basis of procedures described, anything has come to our attention that would indicate that the half year financial report is not presented fairly in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to meet its obligations to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Two Way Limited, as defined in the scope section is not in accordance with:

- the Corporations Act 2001, including:
 - giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
 - complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- other mandatory professional reporting requirements in Australia.



William Buck
Chartered Accountants



Ken Glynn
Partner

Dated this 28th day of February 2007.