

ASX RELEASE

29 September 2010

2010 Annual Report

In accordance with Listing Rule 4.7, Two Way Limited lodges its Annual Report for the financial year ended 30 June 2010 (including the directors' report, the financial report, the directors' declaration and the audit report).

A Notice of Meeting for the 2010 Annual General Meeting, to be held on 18 November 2010 (including explanatory notes, letter of invitation to shareholders and proxy form), will be lodged in due course.

For further information:

Ben Reichel
Chief Executive Officer and Managing Director
Phone: +612 9017 7000 or 0412 060 281

ABOUT TWO WAY LIMITED (ASX: TTV)

Two Way creates advanced interactive media and gambling applications. Our competitive strengths include our specialised expertise, patented technology, and library of interactive applications, which can be deployed on TV, mobile or internet.

Two Way has developed an award-winning interactive TV wagering service with Tabcorp Holdings Limited (ASX:TAH) and FOXTEL, which has now been extended to include Racing and Wagering Western Australia (RWWA) and UNiTAB Limited (ASX:TTS). Two Way has the potential to establish similar relationships with other wagering and broadcasting partners throughout Australia and overseas.

Our interactive wagering technology offers advanced betting features and related information, and utilises the latest synchronisation techniques to enhance the user experience. This technology can be applied to both racing and sports betting applications.

Our Way2Bet portal offers an extensive range of information resources to help punters bet better. These services are available via online and mobile platforms at www.way2bet.com.au and way2bet.mobi.

Two Way's products are currently being deployed by leading wagering and interactive TV operators in Australia and New Zealand. Our clients include Tabcorp, RWWA, UNiTAB, FOXTEL, Austar, Optus TV and Sky New Zealand.

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

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FROM THE CHAIRMAN AND THE CEO

The 2010 financial year provided a mixture of encouragement and frustration for the directors, employees and shareholders of Two Way Limited.

We were encouraged by the rapid growth of our TV wagering service, which is part of our range of world-class interactive services for broadcasters and licensed wagering operators. The service was rebranded as TAB ACTIVE during the year, and supported by a comprehensive, but cost-effective, marketing campaign. As a result, total turnover through the service increased by 96% compared to the previous financial year. Our service was Tabcorp's fastest-growing method of taking a bet during the year, and generated uniformly positive feedback from punters and from the racing industry.

These results are even more remarkable when it is noted that our TV wagering service is still – even now – only available in the metropolitan areas of Sydney and Melbourne. While we have regulatory approval to operate throughout the States of New South Wales and Victoria, our service is currently only available on the Foxtel (and Optus TV) platforms, which only broadcast in the metropolitan areas.

The current limited availability of our TV wagering service puts its rapid growth in perspective, and demonstrates the potential of our world-class technology to deliver value to shareholders. We anticipate increased availability for our service in the next 12 months.

Yet the overall feeling arising from the 2010 financial year is one of great frustration. Our business plan has always been to expand our service around the country, and then look to export our technology overseas. However these plans have been delayed by the slow decision-making process of governments in certain States, who have the power to decide whether State-licensed TAB operators should be permitted to take bets using our technology.

We have received regulatory approval in Western Australia, and a binding contract was signed with the TAB operator in that State in May 2010. Our frustration there has arisen from the fact that our customer is running a major project to replace its betting engine, which is obviously a core element of its business. We need to wait until that project is completed before we can deploy our TV wagering service.

In other States, we consistently explain to governments that our technology provides great benefits to their local TAB operators, and thus to the local racing industries and tax revenues which are supported by those TAB operators. In addition, every State allows its licensed TAB operators to offer wagering via telephone and internet (including smartphones), and these technologies are far more widely available than our TV wagering service. Our service is only available to TAB account holders, who can already bet using these alternative technologies, and thus the introduction of our service does not involve any expansion of gambling. Further, our service includes prominent on-screen responsible gambling messages. We are confident that if a logical and consistent approach is taken, then our service will be approved in every State.

On a more positive note, our TV wagering service was expanded to cover the two new racing channels launched by Sky Racing during the year. New features were also added, including the ability for viewers to change channels without disconnecting from the betting engine, which is another world-leading feature of our service.

The Company's skills in interactive TV development were confirmed once again with the deployment of our interactive chat service on the Foxtel platform. Initially deployed on the popular program "Australia's Next Top Model" on the FOX8 channel, it is expected that the chat service will be deployed across other programs and channels in the future. The success of this project has also led to a number of other bespoke development projects, including the deployment of interactive games as enhancements to various channels.

Our Way2Bet wagering portal continued to grow steadily, and is being further enhanced in the new financial year with a premium ratings service operated by well-known racing industry expert, Michael Fraser.

FINANCIAL PERFORMANCE

While the delays noted above have slowed down the Company's progress, we are pleased to report that the 2010 financial year was the third year in a row where the Company managed to increase operating revenues, while simultaneously cutting operating costs. As a result, our operating results have improved by 79% since the new Board and management team was appointed at the end of the 2007 financial year.

During the 2010 financial year, operating revenues (excluding interest revenue) increased by 17% from the previous year, to a total of \$1.656m. Operating costs (excluding non-cash charges) decreased by 3%, to a total of \$2.8m. This led to a 23% improvement in the operating result, to a loss of \$1.103m. Net cash flow improved by 67%, to an outflow of \$0.212m.

Non-cash charges were also reduced, but the bottom line result was again distorted by a non-cash impairment charge of \$1.589m. This was due to the strict application of relevant accounting standards, which caused the Board to decide to bring the carrying value of the prepaid wagering fee to zero. As a result, further impairment and amortisation charges will be eliminated. The requirement to incur this impairment charge does not alter in any way the Board's view of the commercial prospects of the TV wagering service. It is an accounting charge which has no impact on ongoing operations.

The net loss of \$3.053m was an improvement of 41% on the previous year. As noted above, almost two-thirds of this amount represents non-cash costs which will not reoccur in the future.

OUTLOOK

The Board and management team continue to do everything possible to increase revenues, while continuing to keep an extremely tight rein on costs. We are pleased by the growth of our TV wagering service, which has rapidly established itself as a valuable and popular feature of the racing and wagering landscape in those parts of Australia where it is in operation.

The launch of the service into Western Australia is expected to take place in early calendar 2011, subject to completion of the local TAB operator's betting engine replacement project, as noted above. In other States, we are ready to launch as soon as approval is received. These launches will lead to further increases in revenue.

In general our strategies are working, as shown by the ongoing improvement in the Company's financial results. While the delays we have experienced have been extremely frustrating, we continue to believe that our world-leading technology has great potential in Australia and overseas. We are working hard to ensure that the Company gets the opportunity to demonstrate that potential.



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 & Managing Director

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 Craig Francis Connelly Non-Executive Director (retired 16 November 2009)

Craig Connelly is Managing Director of AR Capital Management Pty Limited, a Melbourne-based equity fund manager. He has worked in financial markets for the past sixteen years, and prior to that spent five years at Price Waterhouse. He holds a Bachelor of Business (Accounting) and is a qualified Chartered Accountant, a Member of the Institute of Chartered Accountants and a Fellow of Finsia (Financial Services Institute of Australia).

Mr Connelly joined Goldman Sachs JB Were (formerly JB Were) as an assistant analyst in early 1993, and became a securities analyst in 1994. He was made an equity partner in 1996 at the age of 30. He left Goldman Sachs JB Were in mid-2004 to establish AR Capital Management.

Mr Christopher Roberts Grant-Foster Non-Executive Director

Chris Grant-Foster has his own consulting business, number8management, with a focus on strategic management, M&A, capital raising and restructuring. He is an Executive Director of Lloyd Harrington an executive recruitment firm; and is also a non-executive director of Essence an IPTV Technology business and Wonderscease a Fashion label.

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 eighteen 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 (Company) is committed to good corporate governance practices through the establishment of a 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
2.3 The roles of the chairperson and chief executive officer should not be exercised by the same individual.	Not specifically noted
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)
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 Disclosures' 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 for the financial year ended 30 June 2010.

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)
Mr Craig Francis Connelly (Non-Executive Director) (retired 16 November 2009)

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 21 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 \$1,696,946 in the 2010 financial year. Operating revenues grew 17% (or \$0.24m) to \$1.66m, while operating costs (excluding depreciation, amortisation and impairment expenses) declined 3%. This led to a 23% improvement in the operating result, building on the strong improvement recorded in the previous year's results. Net cash flow improved by 67%, from an outflow of (\$0.586m) in FY09, to (\$0.212m) in FY10.

Non-cash charges decreased significantly from last year (down 73%), due mainly to the reduction in the carrying value of the prepaid wagering fee, as noted in the December 2009 Half Year Accounts. Depreciation charges have also reduced as a result of a number of assets reaching their full written down values during the year.

The Total Comprehensive Loss in the 2010 financial year of \$3,049,998 improved considerably (by 41%) on the previous year. However, it was still adversely affected by a non-cash impairment charge of \$1.59m, bringing the carrying value of the prepaid wagering fee to zero. The Directors remain confident that the prepaid wagering fee will be fully recovered from TV wagering revenues within the term of the initial contract with Foxtel. Excluding the effects of the impairment charge, the net loss of \$1.46m represented a 45% improvement on the prior year.

Operational highlights for the 2010 financial year include:

- The Company's TV wagering service, known as TAB ACTIVE, continued to grow strongly during the year. The service is currently available in the Sydney and Melbourne metropolitan areas. In July 2010, TAB ACTIVE achieved twin milestones of more than 10 million bets placed, and more than \$90 million in turnover through the service. Regulatory approval for deployment of the service in Western Australia has been granted, and a binding contract has been signed with Racing and Wagering Western Australia (RWWA). The Company is now working with RWWA to launch the service in early calendar year 2011. The Company also recently launched an information-only version of the service in Queensland and South Australia, in conjunction with UNiTAB and Foxtel, while it continues to seek final regulatory approvals.
- The Way2Bet wagering portal continues to grow and to meet expectations. The service was recently enhanced with the launch, on 25 August 2010, 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, and supplements the various forms of advertising and commission revenue earned from the bookmakers.
- During the year, the Company successfully completed a number of substantial ad hoc development projects. These included the development of multichannel functionality for TAB ACTIVE, allowing viewers to access and switch between all three Sky Racing channels, without having to exit the service or disconnect from the betting engine. The Company also developed an interactive chat application for the highly popular program, *"Australia's Next Top Model"*, on the Fox 8 channel. This chat application is also available for deployment on other programs and channels on the Foxtel platform in the future.
- Operating costs (before depreciation and amortisation and abnormal items) were \$2.80m, a reduction of 3% on the previous year, reflecting a continued focus on cost reduction. With the growth in the TV wagering service, costs such as marketing and telecommunications have grown as expected. These increases have been offset by savings on the prior year in most other key lines. Of particular note were: licence fees down \$0.09m or 32%; staff costs down \$0.18m or 10%; and administration and other costs down \$0.02m or 7%.

BUSINESS STRATEGIES AND PROSPECTS

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Two Way's products are currently being deployed by leading wagering and interactive TV operators in Australia and New Zealand. Our clients include Tabcorp, RWWA, UNiTAB, Foxtel, Austar, Optus TV and Sky New Zealand.

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 have decreased by \$2,016,260 (from \$2,537,149 at 30 June 2009 to \$520,889 at 30 June 2010). The key driver for the decrease has been the non-cash impairment charge of \$1.59m to bring the carrying value of the prepaid wagering fee to zero, in line with the strict adoption of *AASB136 – Impairment of Assets*. Reduced investment income and the funding of normal operations also contributed to the decrease.

The group's working capital, being current assets less current liabilities was \$548,219 (2009: \$622,701). Funding of operations, and in particular, costs directly relating to the TV wagering service, accounted for much of the reduction.

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid during the financial year (2009: \$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

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in future financial years.

DIRECTORS' MEETINGS

During the financial year, 14 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	12	12	2	2	–	–
B P Reichel	12	12	–	–	–	–
C F Connelly	4	2	1	1	–	–
C R Grant-Foster	12	11	1	1	–	–

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	1,130,000	-	1,130,000
B P Reichel	1,252,419	230,000 ¹	1,482,419
C R Grant-Foster	602,886	-	602,886

1: Represents options that have fully vested as at the date of this report. A further 270,000 options are yet to vest. 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 2010 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. An independent assessment during the year was undertaken in relation to staff remuneration and adjustments were made as appropriate.

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 2010

(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 C F Connelly – Non-Executive Director (retired 16 November 2009)
 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	Bonus	Non-monetary benefits ²	Super-annuation			Options	Shares			
<i>ij) Specified Directors</i>	\$	\$	\$	\$	\$	\$	\$	\$	\$		
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	25,001	–	–	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)	20,250	–	–	1,823	–	–	–	–	22,073	0.0%	0.0%
Total	482,244	17,000	1,081	40,796	0	0	6,795	0	547,916		
2009											
Mr S J McGregor (Non-executive)	91,800	–	–	8,262	–	–	–	–	100,062	0.0%	0.0%
Mr B P Reichel (Managing Director & CEO)	300,000	50,000	–	31,500	–	–	14,740	–	396,240	3.7%	12.6%
Mr C R Grant-Foster (Non-executive)	45,900	–	–	4,131	–	–	–	–	50,031	0.0%	0.0%
Mr C F Connelly (Non-executive)	45,900	–	–	4,131	–	–	–	–	50,031	0.0%	0.0%
Total	483,600	50,000	0	48,024	0	0	14,740	0	596,364		

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.

	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			
<i>ij) Specified Executives</i>	\$	\$	\$	\$	\$	\$	\$	\$	\$		
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	14,722	–	–	4,892	–	183,198	2.7%	6.6%
Mr F R Magrini	155,599	–	–	14,004	–	–	4,077	–	173,681	2.3%	0.0%
Total	434,246	12,000	14,780	41,492	0	0	12,095	0	514,614		
2009											
Mr R G Nugara	144,375	–	–	12,994	–	–	6,780	–	164,149	4.1%	0.0%
Mr G J Kean	136,558	–	16,474	12,549	–	–	10,613	–	176,194	6.0%	0.0%
Mr F R Magrini	154,128	–	–	13,872	–	–	8,844	–	176,844	5.0%	0.0%
Total	435,061	0	16,474	39,415	0	0	26,237	0	517,187		

1 Reflects provision of a fully serviced motor vehicle through an effective salary sacrifice arrangement.

(C) 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	-	6,795		Refer Table 1 for further details about Series B		
Mr C R Grant-Foster		-	-	-	-	-	-	-
Mr C F Connelly		-	-	-	-	-	-	-
Specified Executives								
Mr R G Nugara	2008 Series B	Refer Table 1	-	3,126		Refer Table 1 for further details about Series B		
Mr G J Kean	2008 Series B	Refer Table 1	-	4,892		Refer Table 1 for further details about Series B		
Mr F R Magrini	2008 Series B	Refer Table 1	-	4,077		Refer Table 1 for further details about Series B		
Total			-	18,888				

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. Accordingly in FY09, the value of all Series A options were included as Options Granted as Compensation. 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 will vest two years after each grant date. Accordingly, the value of Series B options included as Options Granted as Compensation in FY10 represent those options which progressively vested in FY10. Series A and B options expire two years after each vesting date. Table 1 below provides further details of the Series B.

Table 1 Series B Options	Grant Date	Exercise Price \$	First Exercise Date	Last Exercise Date	Percentage vested at 30.06.2010
	01/07/2008	0.072	01/07/2010	01/07/2012	95.8%
	01/08/2008	0.066	01/08/2010	01/08/2012	91.7%
	01/09/2008	0.060	01/09/2010	01/09/2012	87.5%
	01/10/2008	0.033	01/10/2010	01/10/2012	83.3%
	01/11/2008	0.038	01/11/2010	01/11/2012	79.2%
	01/12/2008	0.037	01/12/2010	01/12/2012	75.0%
	01/01/2009	0.034	01/01/2011	01/01/2013	70.8%
	01/02/2009	0.029	01/02/2011	01/02/2013	66.7%
	01/03/2009	0.025	01/03/2011	01/03/2013	62.5%
	01/04/2009	0.020	01/04/2011	01/04/2013	58.3%
	01/05/2009	0.018	01/05/2011	01/05/2013	54.2%
	01/06/2009	0.021	01/06/2011	01/06/2013	50.0%

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.

(D) OPTIONS & RIGHTS HOLDINGS

Number of Options held by Key Management Personnel

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	–	–	–	–	–	–	–	–	–
Mr C F Connelly	–	–	–	–	–	–	–	–	–
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

2009	Balance 01.07.08	Granted as Compen- sation	Options Exercised	Options Cancelled or Lapsed	Net Change Other	Balance 30.06.09	Total Vested 30.06.09	Total Exercisable 30.06.09	Total Un- exercisable 30.06.09
Specified Directors									
Mr S J McGregor	–	–	–	–	–	–	–	–	–
Mr C F Connelly	–	–	–	–	–	–	–	–	–
Mr B P Reichel	250,000	500,000	–	–	–	750,000	390,000	390,000	360,000
Mr C R Grant-Foster	250,000	–	–	(250,000)	–	–	–	–	–
Specified Executives									
Mr R G Nugara	75,000	230,000	–	–	–	305,000	139,400	139,400	165,600
Mr G J Kean	50,000	360,000	–	–	–	410,000	150,800	150,800	259,200
Mr F R Magrini	90,000	300,000	–	–	–	390,000	174,000	174,000	216,000
Total	715,000	1,390,000	–	(250,000)	–	1,855,000	854,200	854,200	1,000,800

(E) SHAREHOLDINGS

Number of Shares held by Key Management Personnel

	Balance 01.07.09	Received as Compensation	Options Exercised	Net Change Other ¹	Balance 30.06.10
<i>Specified Directors</i>					
Mr S J McGregor	881,000	–	–	249,000	1,130,000
Mr B P Reichel	1,055,000	–	–	197,419	1,252,419
Mr C R Grant-Foster	350,000	–	–	252,886	602,886
Mr C F Connelly	2,287,953	–	–	(207,729)	2,080,224
<i>Specified Executives</i>					
Mr R G Nugara	–	–	–	–	–
Mr G J Kean	–	–	–	–	–
Mr F R Magrini	–	–	–	–	–
Total	4,573,953	–	–	491,576	5,065,529

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 2010, 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:

- (a) liabilities incurred by that person, as an officer of the Company, to another person (other than the Company or its related bodies corporate); and
- (b) 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 2010: Taxation services – \$12,000 (2009: \$21,675).

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2010 in accordance with s307C of the Corporations Act has been received and can be found on page 16.

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



Mr. S. McGregor
Director

Date 29 September 2010

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 2010 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

Neil Esho
Partner
Sydney, 29 September 2010

Sydney
Melbourne
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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Economic Entity		Parent Entity	
		2010 \$	2009 \$	2010 \$	2009 \$
Revenue	2	1,696,946	1,465,751	1,454,045	1,225,496
Employee benefits expense		(1,566,862)	(1,743,532)	(1,548,843)	(1,723,083)
Depreciation and amortisation	3	(334,905)	(1,220,243)	(334,905)	(1,220,243)
Professional and consulting fees		(159,897)	(93,012)	(74,791)	(31,344)
Licence fees		(193,582)	(282,737)	(127,348)	(218,272)
Marketing & promotions		(219,060)	(123,998)	(193,785)	(79,521)
Telecommunications and hosting		(378,615)	(355,751)	(370,531)	(343,507)
Administration expenses		(76,124)	(80,199)	(76,082)	(79,297)
Provision for non-recoverability of loan to subsidiary		-	-	(7,950)	(304,232)
Other expenses from ordinary activities	3	(205,712)	(221,827)	(197,315)	(215,121)
Impairment of assets		(1,589,148)	(2,465,817)	(1,589,148)	(2,465,817)
Loss before tax		(3,026,959)	(5,121,365)	(3,066,653)	(5,454,941)
Income tax expense	4	(23,039)	(24,393)	-	-
Net Loss attributable to members of the Parent		(3,049,998)	(5,145,758)	(3,066,653)	(5,454,941)
Other comprehensive income/(loss)		-	-	-	-
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT		(3,049,998)	(5,145,758)	(3,066,653)	(5,454,941)
Basic loss per share (cents per share)	6	(1.68)	(4.23)		
Diluted loss per share (cents per share)	6	(1.68)	(4.23)		

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Economic Entity		Parent Entity	
		2010 \$	2009 \$	2010 \$	2009 \$
CURRENT ASSETS					
Cash and cash equivalents	7	742,581	954,756	715,297	908,104
Trade and other receivables	8	160,560	188,198	154,184	174,713
Other assets	10	53,752	61,223	47,465	54,923
TOTAL CURRENT ASSETS		956,893	1,204,177	916,946	1,137,740
NON-CURRENT ASSETS					
Plant and equipment	9	46,139	140,155	46,139	140,155
Investment in subsidiary		-	-	90	90
Prepaid wagering fee	11	-	1,827,522	-	1,827,522
TOTAL NON-CURRENT ASSETS		46,139	1,967,677	46,229	1,967,767
TOTAL ASSETS		1,003,032	3,171,854	963,175	3,105,507
CURRENT LIABILITIES					
Trade and other payables	12	243,935	428,566	378,095	519,581
Provisions	13	164,739	152,910	164,739	152,910
TOTAL CURRENT LIABILITIES		408,674	581,476	542,834	672,491
NON-CURRENT LIABILITIES					
Provisions	13	73,469	53,229	73,469	53,229
TOTAL NON-CURRENT LIABILITIES		73,469	53,229	73,469	53,229
TOTAL LIABILITIES		482,143	634,705	616,303	725,720
NET ASSETS		520,889	2,537,149	346,872	2,379,787
EQUITY					
Contributed equity	14	48,220,435	47,212,380	48,220,425	47,212,370
Reserves	15	81,402	114,879	81,402	114,879
Accumulated losses		(47,780,948)	(44,790,110)	(47,954,955)	(44,947,462)
TOTAL EQUITY		520,889	2,537,149	346,872	2,379,787

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Contributed Equity \$	Retained Profits \$	Share Issue Expense Reserve \$	Employee Options Reserve \$	Total \$
Economic Entity						
Balance at 1 July 2008		53,958,950	(39,644,352)	(7,738,343)	109,510	6,685,765
Shares issued during the year		1,091,921	-	-	-	1,091,921
Loss attributable to members of parent entity		-	(5,145,758)	-	-	(5,145,758)
Employee share options issued		-	-	-	61,281	61,281
Employee share options lapsed/cancelled		-	-	-	(55,912)	(55,912)
Share issue expense		-	-	(100,148)	-	(100,148)
Balance at 30 June 2009		55,050,871	(44,790,110)	(7,838,491)	114,879	2,537,149
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
Parent Entity						
Balance at 1 July 2008		53,958,939	(39,492,521)	(7,738,343)	109,510	6,837,585
Shares issued during the year		1,091,922	-	-	-	1,091,922
Loss attributable to members of parent entity		-	(5,454,941)	-	-	(5,454,941)
Employee share options issued		-	-	-	61,281	61,281
Employee share options lapsed/cancelled		-	-	-	(55,912)	(55,912)
Share issue expense		-	-	(100,148)	-	(100,148)
Balance at 30 June 2009		55,050,861	(44,947,462)	(7,838,491)	114,879	2,379,787
Balance at 1 July 2009		55,050,861	(44,947,462)	(7,838,491)	114,879	2,379,787
Shares issued during the year		1,091,930	-	-	-	1,091,930
Loss attributable to members of parent entity		-	(3,066,653)	-	-	(3,066,653)
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		56,142,791	(47,954,955)	(7,922,366)	81,402	346,872

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Economic Entity		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,735,126	1,459,505	1,395,450	1,123,981
Payments to suppliers and employees		(2,993,684)	(3,085,059)	(2,634,296)	(2,790,919)
Interest received		40,858	53,895	40,514	53,544
Net cash used in operating activities	18	(1,217,700)	(1,571,659)	(1,198,332)	(1,613,394)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of plant and equipment		(2,530)	(5,697)	(2,530)	(5,797)
Net cash used in investing activities		(2,530)	(5,697)	(2,530)	(5,797)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issue		1,091,930	1,091,921	1,091,930	1,091,921
Payment of share issue expense		(83,875)	(100,148)	(83,875)	(100,148)
Net cash provided by (used in) financing activities		1,008,055	991,773	1,008,055	991,773
Net increase (decrease) in cash & cash equivalents held		(212,175)	(585,583)	(192,807)	(627,418)
Cash & cash equivalents at the beginning of the year		954,756	1,540,339	908,104	1,535,522
Cash & cash equivalents at the end of the year	7	742,581	954,756	715,297	908,104

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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'), and Two Way Limited as an individual parent entity ('Company'). Two Way Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements of Two Way Limited and controlled entities, and Two Way Limited as an individual parent entity, 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 15 September 2010.

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 19 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 11 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 2010 or 30 June 2009;
- available-for-sale financial assets – none of these assets held at 30 June 2010 or 30 June 2009; and
- held-to-maturity investments – none of these assets held at 30 June 2010 or 30 June 2009.

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 acquired. 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".

l. 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.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at the end of each reporting period and at settlement date. Any changes in the fair value of the liability are recognised as employee benefits expense in the statement of comprehensive income.

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 2010 the economic entity has incurred a comprehensive loss of \$3,049,998 (2009: loss of \$5,145,758), including a non-cash impairment loss of \$1,589,148 (2009: loss of \$2,465,817). Net cash outflows from operating activities were \$1,217,700 (2009: \$1,571,659); and current cash at bank and on hand as at 30 June 2010 is \$742,581 (2009: \$954,756). These factors create 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.

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;
- Formal regulatory approval to launch the TV wagering service in Western Australia; and continued efforts to obtain regulatory approval in other jurisdictions;
- The substantial cost savings achieved in prior years, which are expected to have a significant flow on effect in the 30 June 2011 and subsequent financial years; reinforced by a continued focus on minimising discretionary spend;
- No further upfront fees to be paid with regard to further deployment of the TV wagering service; and
- Based on the factors above, the Directors expect the economic entity will be successful in raising further capital as required.

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. Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the Group.

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement impact

Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards.

Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

q. New Standards and Interpretations not yet adopted

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. The impacts of these 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 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 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issue [AASB132] (applicable for annual reporting periods commencing on or after 1 February 2010). The amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.
- AASB 2009-12: Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1032 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011). Editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. These amendments are not expected to impact the Group.
- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010). This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

	Note	Economic Entity		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$

NOTE 2: REVENUE

Revenue from operating activities

– Service revenue	1,656,081	1,418,105	1,413,569	1,178,194
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Revenue from non-operating activities

– Interest – other persons	40,865	47,646	40,476	47,302
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Total revenue	1,696,946	1,465,751	1,454,045	1,225,496
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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	96,531	100,247	96,531	100,247
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– Amortisation of prepaid wagering fee	238,374	1,119,996	238,374	1,119,996
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	334,905	1,220,243	334,905	1,220,243
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(b) Other expenses from ordinary activities

Rental expenses on operating lease

– Minimum lease payments	80,046	81,455	80,046	81,455
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Net (gain)/loss on disposal of plant & equipment	–	–	–	–
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Travel costs	24,865	25,914	24,865	25,914
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Foreign currency translation loss (gain)	1,897	1,496	–	10
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Accounting and other services	12,000	19,000	7,560	14,500
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Audit fees	31,613	37,300	31,613	37,300
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Other	55,291	56,662	53,231	55,942
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	205,712	221,827	197,315	215,121
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NOTE 4: INCOME TAX EXPENSE

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

	(908,088)	(1,536,409)	(919,996)	(1,636,482)
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Add tax effect of:

Share-based payments	(10,043)	1,611	(10,043)	1,611
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Other non-deductible items	(12,026)	(276,549)	(9,641)	(185,280)
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Add deferred tax asset not brought to account ²	953,196	1,835,740	939,680	1,820,151
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Income tax attributable to subsidiary ³	23,039	24,393	–	–
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1: The prima facie income tax rate of the economic entity, including the parent entity is 30% (2009: 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.

	Note	Economic Entity		Parent Entity	
		2010 \$	2009 \$	2010 \$	2009 \$

NOTE 5: AUDITOR'S REMUNERATION

Remuneration of the auditor of the parent entity & subsidiaries –

William Buck NSW:

– auditing or reviewing of the financial accounts	37,300	37,300	37,300	37,300
– taxation services	12,000	21,675	12,000	21,675
	<u>49,300</u>	<u>58,975</u>	<u>49,300</u>	<u>58,975</u>

	Note	Economic Entity	
		2010 \$	2009 \$

NOTE 6: LOSS PER SHARE

Net (Loss)/Earnings used in the calculation of basic EPS (3,049,998) (5,145,758)

Net (Loss)/Earnings used in the calculation of diluted EPS (3,049,998) (5,145,758)

	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	<u>181,812,451</u>	<u>121,756,659</u>

Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	<u>181,812,451</u>	<u>121,756,659</u>
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Classification of Securities

The ownership-based remuneration scheme with 1,890,000 options remaining unconverted at year-end is not included in the calculation of basic or diluted EPS as the issue of shares is contingent upon future events. As at the end of the reporting period, conditions which would result in the issue of shares had not been satisfied (*refer to Note 21*).

	Note	Economic Entity		Parent Entity	
		2010 \$	2009 \$	2010 \$	2009 \$

NOTE 7: CASH AND CASH EQUIVALENTS

Cash on hand and at bank	<u>742,581</u>	<u>954,756</u>	<u>715,297</u>	<u>908,104</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	Economic Entity		Parent Entity	
		2010 \$	2009 \$	2010 \$	2009 \$

NOTE 8: TRADE AND OTHER RECEIVABLES

CURRENT

Trade debtors		157,909	185,510	113,629	140,460
Other debtors					
Interest receivable		2,651	2,688	2,651	2,688
Amounts receivable from wholly-owned subsidiaries		–	–	387,091	335,797
Provision for non-recoverability of receivable from subsidiary		–	–	(349,187)	(304,232)
Total current receivables		160,560	188,198	154,184	174,713

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 amounts receivable from the wholly-owned subsidiary is past due over 90 days. Of this \$37,000 is past due not impaired, the remaining \$349,187 is impaired.

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 9: PLANT AND EQUIPMENT

At cost		498,433	613,883	498,433	613,883
Accumulated depreciation		(452,294)	(473,728)	(452,294)	(473,728)
		<u>46,139</u>	<u>140,155</u>	<u>46,139</u>	<u>140,155</u>
<i>Movements in carrying amounts</i>					
Balance at beginning of year		140,155	235,138	140,155	235,138
Additions		2,515	5,264	2,515	5,264
Disposals		–	–	–	–
Depreciation expense		(96,531)	(100,247)	(96,531)	(100,247)
Carrying amount at the end of the year		46,139	140,155	46,139	140,155

NOTE 10: OTHER ASSETS

CURRENT

Bonds and security deposits		18,012	18,421	18,012	18,421
Prepayments		35,740	42,802	29,453	36,502
		<u>53,752</u>	<u>61,223</u>	<u>47,465</u>	<u>54,923</u>

	Note	Economic Entity		Parent Entity	
		2010 \$	2009 \$	2010 \$	2009 \$

NOTE 11: PREPAID WAGERING FEE

Cost		5,600,000	5,600,000	5,600,000	5,600,000
Accumulated amortisation		(1,545,035)	(1,306,661)	(1,545,035)	(1,306,661)
Accumulated impairment losses booked	(a)	(4,054,965)	(2,465,817)	(4,054,965)	(2,465,817)
Carrying amount at the end of the year		–	1,827,522	–	1,827,522

(a) As reported in the Company's Half Year Financial Report ending 31 December 2009, 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 as it exceeded its value in use, 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 has no impact on the ongoing operations, and does not adversely affect the prospects of the Company's TV wagering service. Furthermore, the Directors remain confident that the prepaid wagering fee will be fully recovered from TV wagering revenues within the term of the initial contract. The key assumptions used in the prior year impairment test were as follows:

- Increase in revenues for NSW and Victoria on the Foxtel platform based on recent run rates; the expected impact of increased promotional activity; growth in average bet size; number of bets placed; and projected growth in the take up of the service by both Tabcorp and Foxtel customers.
- Cash flow projections are to the end of the initial 5 year term of the interactive wagering agreement.
- Annual inflation factor of 3.0% per annum for most cost lines.
- Discount rate of 11.36%.

NOTE 12: TRADE AND OTHER PAYABLES

CURRENT

Trade creditors	34,226	98,067	31,936	81,913
Sundry creditors and accrued expenses	209,709	330,499	188,275	298,005
Amounts owed to wholly-owned subsidiary	–	–	157,884	139,663
	243,935	428,566	378,095	519,581

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

NOTE 13: PROVISIONS

CURRENT

Employee benefits	164,739	152,910	164,739	152,910
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NON-CURRENT

Employee benefits	73,469	53,229	73,469	53,229
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	Note	Economic Entity		Parent Entity	
		2010 \$	2009 \$	2010 \$	2009 \$

NOTE 14: CONTRIBUTED EQUITY

	Number	Number	Number	Number
At the beginning of the reporting period	163,788,135	109,192,090	163,788,135	109,192,090
Fully paid ordinary shares issued during the year				
8 April 2009	–	54,596,045	–	54,596,045
2 November 2009	27,298,238	–	27,298,238	–
At the end of the reporting period	191,086,373	163,788,135	191,086,373	163,788,135

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 15: 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 16: OPERATING LEASE COMMITMENTS

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

Payable:

– not later than 1 year	83,598	77,518	83,598	77,518
– later than 1 year but not later than 5 years	173,455	2,092	173,455	2,092
– later than 5 years	–	–	–	–
	257,053	79,610	257,053	79,610

The Company exercised its option to renew its present office lease 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 17: 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. 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.

	Segment Revenues		Net Operating Result		Carrying Amount of Segment Assets	
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
TV wagering service	949,396	478,801	–	–	–	–
Odds comparisons service	162,339	151,168	–	–	–	–
Games service	347,405	763,342	–	–	–	–
Interest	40,865	47,646	–	–	–	–
Other revenue	196,941	24,794	–	–	–	–
Unallocated	–	–	(3,049,998)	(5,145,758)	1,003,032	3,171,854
	<u>1,696,946</u>	<u>1,465,751</u>	<u>(3,049,998)</u>	<u>(5,145,758)</u>	<u>1,003,032</u>	<u>3,171,854</u>

Non-current assets acquired during the year totalled \$2,515 (2009: \$5,264). These could not be accurately allocated to any of the product categories.

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	Economic Entity		Parent Entity	
		2010 \$	2009 \$	2010 \$	2009 \$

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	(3,049,998)	(5,145,758)	(3,066,653)	(5,454,941)
Non-cash flows in loss from ordinary activities				
Depreciation & amortisation	334,905	1,220,243	334,905	1,220,243
Foreign exchange loss	1,897	1,496	–	1,496
Impairment loss	1,589,147	2,465,817	1,589,147	2,465,817
Provision for non-recoverability of loan to subsidiary	–	–	–	304,232
Share options expensed	25,683	5,369	25,683	5,369
Change in assets and liabilities				
(Increase)/decrease in receivables	27,638	(50,980)	20,530	(153,409)
(Increase)/decrease other assets	7,471	(7,191)	7,385	(5,653)
Increase/(decrease) in trade creditors & accruals	(186,512)	(103,094)	(141,398)	(38,987)
Increase/(decrease) in provisions	32,069	42,439	32,069	42,439
Cash Flow from Operations	<u>(1,217,700)</u>	<u>(1,571,659)</u>	<u>(1,198,332)</u>	<u>(1,613,394)</u>

	Country of Incorporation	Percentage owned (%)	
		2010	2009

NOTE 19: CONTROLLED ENTITIES

Parent entity:

Two Way Limited	Australia	–	–
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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%

	Economic Entity		Parent Entity	
	2010 \$	2009 \$	2010 \$	2009 \$

NOTE 20: RELATED PARTY TRANSACTIONS

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.

4,651	4,732	4,651	4,732
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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 2010.

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

	2010 \$	2009 \$

Specified Directors:

Short-term employee benefits	500,325	533,600
Post-employment benefits	40,796	48,024
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payments	6,795	14,740
	<u>547,916</u>	<u>596,364</u>

Specified Executives:

Short-term employee benefits	461,026	451,535
Post-employment benefits	41,492	39,415
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payments	12,095	26,237
	<u>514,613</u>	<u>517,187</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		6,795		Refer Table 1 for further details about Series B		
Mr C R Grant-Foster								
Mr C F Connelly								
Specified Executives								
Mr R G Nugara	2008 Series B	Refer Table 1		3,126		Refer Table 1 for further details about Series B		
Mr G J Kean	2008 Series B	Refer Table 1		4,892		Refer Table 1 for further details about Series B		
Mr F R Magrini	2008 Series B	Refer Table 1		4,077		Refer Table 1 for further details about Series B		
Total				18,888				

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. Accordingly in FY09, the value of all Series A options were included as Options Granted as Compensation. 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 will vest two years after each grant date. Accordingly, the value of Series B options included as Options Granted as Compensation in FY10 represent those options which progressively vested in FY10. Series A and B options expire two years after each vesting date. Table 1 below provides further details of the Series B options.

Grant Date	Exercise Price \$	First Exercise Date	Last Exercise Date	Percentage vested at 30.06.2010
01/07/2008	0.072	01/07/2010	01/07/2012	95.8%
01/08/2008	0.066	01/08/2010	01/08/2012	91.7%
01/09/2008	0.060	01/09/2010	01/09/2012	87.5%
01/10/2008	0.033	01/10/2010	01/10/2012	83.3%
01/11/2008	0.038	01/11/2010	01/11/2012	79.2%
01/12/2008	0.037	01/12/2010	01/12/2012	75.0%
01/01/2009	0.034	01/01/2011	01/01/2013	70.8%
01/02/2009	0.029	01/02/2011	01/02/2013	66.7%
01/03/2009	0.025	01/03/2011	01/03/2013	62.5%
01/04/2009	0.020	01/04/2011	01/04/2013	58.3%
01/05/2009	0.018	01/05/2011	01/05/2013	54.2%
01/06/2009	0.021	01/06/2011	01/06/2013	50.0%

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

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	–	–	–	–	–	–	–	–	–
Mr C F Connelly	–	–	–	–	–	–	–	–	–
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
2009	Balance 01.07.08	Granted as Compen- sation	Options Exercised	Options Cancelled or Lapsed	Net Change Other	Balance 30.06.09	Total Vested 30.06.09	Total Exercisable 30.06.09	Total Un- exercisable 30.06.09
Specified Directors									
Mr S J McGregor	–	–	–	–	–	–	–	–	–
Mr C F Connelly	–	–	–	–	–	–	–	–	–
Mr B P Reichel	250,000	500,000	–	–	–	750,000	390,000	390,000	360,000
Mr C R Grant-Foster	250,000	–	–	(250,000)	–	–	–	–	–
Specified Executives									
Mr R G Nugara	75,000	230,000	–	–	–	305,000	139,400	139,400	165,600
Mr G J Kean	50,000	360,000	–	–	–	410,000	150,800	150,800	259,200
Mr F R Magrini	90,000	300,000	–	–	–	390,000	174,000	174,000	216,000
Total	715,000	1,390,000	–	(250,000)	–	1,855,000	854,200	854,200	1,000,800

Shareholdings

Number of Shares held by Key Management Personnel

	Balance 01.07.09	Received as Compensation	Options Exercised	Net Change Other ¹	Balance 30.06.10
Specified Directors					
Mr S J McGregor	881,000	–	–	249,000	1,130,000
Mr B P Reichel	1,055,000	–	–	197,419	1,252,419
Mr C R Grant-Foster	350,000	–	–	252,886	602,886
Mr C F Connelly	2,287,953	–	–	(207,729)	2,080,224
Specified Executives					
Mr R G Nugara	–	–	–	–	–
Mr G J Kean	–	–	–	–	–
Mr F R Magrini	–	–	–	–	–
Total	4,573,953	–	–	491,576	5,065,529

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 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		Parent Entity	
				30.06.10 No.	30.06.09 No.	30.06.10 No.	30.06.09 No.
01.08.07	28.04.08	28.04.10	\$0.500	–	580,000	–	580,000
Series A							
01.07.08	30.06.09	30.06.11	\$0.073	529,200	529,200	529,200	529,200
Series B							
01.07.08	01.07.10	01.07.12	\$0.072	113,400	113,400	113,400	113,400
01.08.08	01.08.10	01.08.12	\$0.066	113,400	113,400	113,400	113,400
01.09.08	01.09.10	01.09.12	\$0.060	113,400	113,400	113,400	113,400
01.10.08	01.10.10	01.10.12	\$0.033	113,400	113,400	113,400	113,400
01.11.08	01.11.10	01.11.12	\$0.038	113,400	113,400	113,400	113,400
01.12.08	01.12.10	01.12.12	\$0.037	113,400	113,400	113,400	113,400
01.01.09	01.01.11	01.01.13	\$0.034	113,400	113,400	113,400	113,400
01.02.09	01.02.11	01.02.13	\$0.029	113,400	113,400	113,400	113,400
01.03.09	01.03.11	01.03.13	\$0.025	113,400	113,400	113,400	113,400
01.04.09	01.04.11	01.04.13	\$0.020	113,400	113,400	113,400	113,400
01.05.09	01.05.11	01.05.13	\$0.018	113,400	113,400	113,400	113,400
01.06.09	01.06.11	01.06.13	\$0.021	113,400	113,400	113,400	113,400
				1,890,000	2,470,000	1,890,000	2,470,000

In April 2010, the remaining 580,000 options issued under the 2007 Options Plan lapsed.

Movement in share options

	Number
Options outstanding at 30 June 2008	905,000
Granted	2,220,000
Exercised	–
Lapsed	(655,000)
Options outstanding at 30 June 2009	2,470,000
Granted	–
Exercised	–
Lapsed	(580,000)
Options outstanding at 30 June 2010	1,890,000
Options exercisable at 30 June 2010:	529,200
Options exercisable at 30 June 2009:	1,109,200

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; price 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	
	2010	2009	2010	2009	2010	2009	2010	2009
	%	%	\$	\$	\$	\$	\$	\$

Financial Assets

Cash and cash equivalents	4.19	5.07	742,581	954,756	–	–	742,581	954,756
Receivables	–	–	–	–	160,560	188,198	160,560	188,198
Total financial asset			742,581	954,756	160,560	188,198	903,141	1,142,954

Financial Liabilities

Trade and sundry creditors	–	–	–	–	243,935	428,566	243,935	428,566
Total financial liabilities	–	–	–	–	243,935	428,566	243,935	428,566

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 24: ECONOMIC DEPENDENCY

The economic entity's main revenue-generating product is its TV wagering service. The service is currently only available to Tabcorp account holders in NSW and Victoria with either a Foxtel or Optus TV service.

NOTE 25: EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in future financial years.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 17 to 39 are in accordance with the Corporations Act 2001; and
 - a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company and Economic Entity;
2. The Chief Executive Officer and Head of Finance and Administration 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 10 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 29 September 2010.



Mr Stuart McGregor
Chairman



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

Report on the Financial Report

We have audited the accompanying financial report of Two Way Limited (the "company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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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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 2010 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.

Material Uncertainty Regarding Continuation as a Going Concern

Without modification to the conclusion expressed above, we draw attention to the matters described in Note 1(o) of the financial report, including the incurring of an operating loss of \$3,049,998 (2009: loss of \$5,145,758) and net cash outflows from operating activities of \$1,217,700 (2009: outflows of \$1,573,236) during the year ended 30 June 2010. The continuing viability of the consolidated entity and its ability to continue as a going concern is dependent on the company being successful in generating sufficient recurring revenue and in accessing additional sources of capital where needed. In the absence of achieving these objectives, there exists significant uncertainty that casts doubt as to whether Two Way Limited will be able 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 10 to 13 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Two Way Limited for the year ended 30 June 2010, 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 consolidated financial report and remuneration report of Two Way Limited for the year ended 30 June 2010 included on Two Way Limited's web site. The Company's directors are responsible for the integrity of Two Way Limited's web site. We have not been engaged to report on the integrity of Two Way Limited's 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



Neil Esho

Partner

Sydney, 29 September 2010

SHAREHOLDER INFORMATION

TOP TWENTY SHAREHOLDERS

At 31 August 2010 the top 20 registered shareholders held 103,955,384 shares in the Company, equivalent to 54.40% 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	Ebanc Com Pty Ltd, Ward Family A/C Attn: Robert Murray Ward PO Box 48 Collins Street West Melbourne VIC 8007	14,775,142	7.732
2	Weresyd Proprietary Limited <SLF A/C> GPO Box 5264 Sydney NSW 2001	10,454,767	5.471
3	GFI Investments Pty Ltd Ward Super Fund A/C Attn: Robert Murray Ward PO Box 48 Collins Street West Melbourne VIC 8007	9,089,947	4.757
4	Mr John William Murray 27 Fitzwilliam Road Vaucluse NSW 2030	7,200,000	3.768
5	Mr Stephen Alfred Aboud 27 Wentworth Street Point Piper NSW 2027	7,000,000	3.663
6	Mr Samuel Hewlings Chisholm 51 Douglas St St Ives NSW 2075	6,674,580	3.493
7	Glenluce Properties Pty Ltd Glenluce Prop SFund A/C PO Box 1139 North Sydney NSW 2060	4,778,200	2.501
8	National Nominees Limited GPO Box 1406 Melbourne VIC 3001	4,667,895	2.443
9	Whyte Superannuation Custodian Pty Ltd <Warneet Management PL SF A/C> Attn: Timothy Harrison GPO Box 4345 Sydney NSW 2001	4,666,667	2.442
10	Screecree Pty Ltd Booran Directors S/F A/C 21 Wilks Avenue Malvern VIC 3144	4,660,322	2.439

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

Rank	Name	Number of Ordinary Shares	% Of Issued Capital
11	Colin Bell Pty Ltd C/ – Portfolio Admin GPO BOX 4718 Melbourne VIC 3001	4,433,877	2.320
12	Linkshore Pty Ltd 138 Wolseley Road Point Piper NSW 2027	4,410,327	2.308
13	Target Range Pty Ltd PO Box 389 Osborne Park WA 6917	3,817,553	1.998
14	ABN AMRO Clearing Sydney Nominees P/L Custodian A/C Level 8, 50 Bridge St Sydney NSW 2000	3,409,161	1.784
15	Andsu Pty Limited <Lyll Super Fund A/C> 125 Victoria Rd Rozelle NSW 2039	2,701,109	1.414
16	Mr Lionel McFadyen & Mrs Jennifer June McFadyen McFadyen Super Fund A/C C/ – Portfolio Admin GPO Box 4718 Melbourne VIC 3001	2,499,621	1.308
17	ABN AMRO Clearing Sydney Nominees P/L DRP A/C Level 8, 50 Bridge St Sydney NSW 2000	2,394,684	1.253
18	AMSAMAC Pty Ltd <Armstrong Superfund A/C> 6 Douglas Street Malvern East VIC 3145	2,164,865	1.133
19	Harbour Nominees <SL A/C> GPO Box 5264 Sydney NSW 2001	2,100,000	1.099
20	Joshua Mantello Joshua Mantello Family A/C 5A Stewart St Richmond VIC 3121	2,056,667	1.076

SUBSTANTIAL SHAREHOLDERS

At 31 August 2010 the following were substantial shareholders in the Company, as disclosed in substantial shareholder notices given to the Company:

Name of Substantial Holder	Number of Equity Securities
Robert Murray Ward	23,865,089
The Goldman Sachs Group, Inc	12,554,767

DISTRIBUTION OF SHAREHOLDINGS/UNMARKETABLE PARCELS

Range of Shares

Range	Total Holders	Units	% Issued Capital
1 – 1,000	27	10,076	0.005
1,001 – 5,000	79	260,138	0.136
5,001 – 10,000	66	578,588	0.303
10,001 – 100,000	265	10,443,576	5.465
100,001 – 9,999,999,999	186	179,793,995	94.090
Rounding			0.00
Total	623	191,086,373	100.000

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$0.03 per unit	16,666.66	228	1,587,105

ISSUED SECURITIES

At 31 August 2010 the following securities were issued:

- 191,086,373 fully paid ordinary shares (the only quoted securities), held by 623 holders;
- 1,890,000 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
Pymont NSW 2009

Principal Place of Business:

Suite 2.05
55 Miller St
Pymont NSW 2009

Company Secretary:

Mr Rointon Nugara

Share Registry:

Registries Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Auditor:

William Buck NSW
Level 29, 66 Goulburn Street
Sydney NSW 2000

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way2betTM

way2playTM