ASX: TTV

A S X   R E L E A S E

28 August 2009

FY09 Results Announcement

Two Way Limited today released its financial report and accounts for the 12 months ending 30 June 2009.

Operating revenues grew strongly (by $0.338m or **31%**) from the previous year, while operating costs continued to be reduced substantially (by $1.55m or **35%**). This has led to a **55%** improvement in the operating result.

Net cash flow improved by **90%**, from an outflow of ($5.813m) in FY08, to ($0.585m) in FY09.

Non-cash charges increased from last year, with depreciation and amortisation rising as the Company began amortising the prepaid wagering fee on a straight line basis.

The bottom line was also adversely affected by a non-cash impairment charge of $2.466m against the carrying value of a prepaid wagering fee. This impairment charge was required after strict application of the provisions of *AASB 136 Impairment of Assets*.

Key Financial Information

	FY09 $	**FY08** $	**% Change**
Revenue			
- Operating revenue	1.418m	1.080m	Up 31%
- Interest revenue	0.048m	0.195m	Down 75%
Total revenue	1.465m	1.275m	Up 15%
Operating Costs	(2.901m)	(4.451m)	Reduced 35%
Operating Result	(1.436m)	(3.176m)	Improved 55%
Depreciation & Amortisation	(1.220m)	(0.355m)	Increased 244%
Abnormals	(2.490m) *	(0.851m) ^	Increased 193%
Net loss	(5.146m)	(4.382m)	Increased 17%

* - *includes a non-cash impairment charge of $2.466m against the carrying value of the prepaid wagering fee; together with a non-material tax expense for a subsidiary.*

^ - *includes the realised loss on sale of deposits at call as a result of the credit market crisis; together with a non-material tax expense for a subsidiary.*

Review of Operations

TAB ACTIVE – TV Wagering Service

The Company's TV wagering service (recently rebranded as TAB ACTIVE) continues to grow strongly.

The service is currently available to Foxtel and Optus TV subscribers in NSW and Victoria. The service provides detailed race and wagering information to viewers of the Sky Racing channel, and also allows Tabcorp account holders to access their accounts and place bets.

The result includes a full twelve months of revenue in Victoria, and nine months in NSW (where the service was successfully launched in October 2008).

Chief Executive Officer and Managing Director, Mr Ben Reichel, said "Our TV wagering service is just beginning to live up to its potential. Turnover through the service in July 2009, which is the quietest month of the year for racing, was only slightly behind the turnover in November 2008, at the height of last year's Spring Racing Carnival.

"At this stage, turnover trends suggest that August 2009 will be our best month ever. New users continue to place bets via the service every week.

"We have recently passed the milestone of four million bets through the service.

"A major marketing campaign based on the new TAB ACTIVE branding will commence shortly, in the lead up to this year's Spring Racing Carnival.

"The team has been working hard on expanding the TV wagering service around Australia. While excellent progress has been made, we have encountered numerous obstacles, which take time to work through. The successful track record of the service in NSW and Victoria, where there has been very positive feedback and no complaints or concerns whatsoever, indicates that the service should be well received in other jurisdictions."

Way2Bet – Wagering Portal

The Way2Bet wagering portal continues to perform strongly and to meet expectations. This online and mobile service provides a range of information to "help punters bet better", including odds comparisons from leading bookmakers, free form guides, and sports and racing tips.

Mr Reichel said: "Way2Bet continues to grow in all important metrics, including traffic, membership, and revenue. The site is generating good word of mouth amongst both the punting community, and our bookmaker clients."

Way2Play – TV Games Channels & Games Portal

Revenues from the Company's games channels on Foxtel, Austar and Sky New Zealand were again below expectations. Foxtel decided to terminate all of its games channels at the end of June 2009. The Company continues to work with its remaining games channel partners to promote and revitalise the service.

Mr Reichel said: “The results from our games channels were disappointing, but we continue to work with Austar and Sky New Zealand to serve our loyal subscribers who value Two Way’s casual TV games. As resources allow, we will also continue to develop our Way2Play online games portal.”

Other Revenue

Interest revenue for the period was $0.048m, down significantly from $0.195m in the prior year, as a result of the Company’s reduced cash holdings. As noted last year, the key driver for the reduced cash holdings was the payment of the upfront wagering fee to Foxtel (total $5.6m) in the previous year.

Operating Costs

Operating costs (before depreciation & amortisation and abnormal items) were $2.901m, an improvement of $1.550m or 35% on the previous year. This reflects a sustained focus on cost reduction, with a number of significant savings on the prior year achieved across a number of key lines. Of particular note were: licence fees down $0.574m or 67%; staff costs down $0.572m or 25%; consultants’ costs down $0.255m or 73%; and administration & other costs down $0.156m or 20%.

Depreciation & Amortisation

Depreciation and amortisation charges increased by $0.865m or 244% on the prior year, as the Company amended the basis of amortisation of its prepaid wagering fee in line with the terms of the 5 year contract (ie. to spread the expense equally over the term of the contract). This amendment included a retrospective adjustment to the opening retained earnings of $0.170m.

Note that the impairment charge recognised in the June accounts (refer Abnormal Items below) will result in a reduced amortisation charge for the remainder of the contract, due to the reduced carrying value of the prepaid wagering fee.

Abnormal items

Abnormal items in the results include a non-cash impairment loss of $2.466m. As part of the year end accounts and audit process, the Company assessed the carrying value of the prepaid wagering fee paid to Foxtel in 2007. Despite the very early stage of the growth of the TV wagering service (which has been operating for less than one year in NSW), an impairment loss was recognised, in line with the strict provisions of *AASB 136 Impairment of Assets.*

The Directors remain confident that the prepaid wagering fee will be fully recovered from the TV wagering revenues within the term of the initial contract with Foxtel. The impairment charge is a non-cash item which has no impact on ongoing operations.

While the “abnormal items” line increased in FY09 compared to FY08, it is important to recognise that there was no cash impact in FY09. In contrast, last year’s abnormal items primarily related to the realised loss on sale of deposits at call as a result of the credit market crisis, which did represent a reduction in cash holdings.

Summary and Outlook

Chairman of Two Way, Mr Stuart McGregor, said: "The Board is pleased with the improvement in the Company's business during the year. The team has successfully increased operating revenues by a hefty 31%, while cutting costs by an even more substantial 35%. Growing revenues while simultaneously cutting costs is never an easy thing to do in any business.

"Tight control of cash has continued to be a prime focus of the Board and management team during the year, leading to a substantial improvement in cash flow. The Company is now in better financial shape than it has ever been.

"However, we are not yet in a cash-flow positive position, and ongoing work is required to ensure that the Company will reach its potential.

"We are disappointed that the strict application of accounting standards has required us to incur a significant impairment charge in the carrying value of the prepaid wagering fee. This non-cash charge has caused the net result to be worse than last year, which effectively conceals the underlying improvement in the business.

"The Board remains confident in the potential of the Company's TV wagering service. The impairment charge does not reflect in any way the Board's view of the commercial prospects of the service.

"We are also disappointed at the delays we have experienced in expanding the TV wagering service around the country. However, we are pleased to note that formal regulatory approval for the service was granted in Western Australia during the year. We are looking forward to making our service available to punters in other jurisdictions, and we are confident that it will be well received."

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 interactive TV wagering service with Tabcorp Holdings Limited (ASX:TAH) and Foxtel, with 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 wagering portal offers an extensive range of information resources to help punters bet better. These services are available via online and mobile devices at www.way2bet.com.au and way2bet.mobi.

Our Way2Play casual games portal complements and extends our interactive TV games channels.

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

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

TWO WAY LIMITED & CONTROLLED ENTITIES

ABN 28 007 424 777

ASX Preliminary final report – 30 June 2009

Lodged with the ASX under Listing Rule 4.3.A

This information should be read in conjunction with the 30 June 2009 Annual Report

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Two Way Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Corporate Information

ABN 28 007 424 777

Directors

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

Company Secretary
Mr Rointon Gerald Nugara

Registered Office
Suite 2.05
55 Miller Street
Pyrmont NSW 2009

Bankers
Bankwest

Share Register
Registries Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Auditors
William Buck

Results for Announcement to the Market

Revenue from ordinary activities	Increased	15%	To	1,465,751
Loss from ordinary activities	Reduced	25%	To	(2,655,548)
Net Loss after impairment loss on prepaid wagering fee income tax expense	Increased	17%	To	(5,145,758)

Dividends/distributions

The directors do not recommend the payment of a dividend.

Reporting Period: Year ended 30 June 2009

Previous Corresponding Period: Year ended 30 June 2008

Review of Operations

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

	Consolidated 2009 $	2008 $
Revenue		
Service	**1,418,105**	1,079,523
Interest – other persons	**47,646**	195,369
Total revenue	**1,465,751**	1,274,892
Employee benefits expenses	**(1,743,532)**	(2,316,437)
Finance costs	**-**	(26,338)
Depreciation and amortisation	**(1,220,243)**	(355,038)
Operations and administration	**(1,157,524)**	(2,108,348)
Loss on sale of deposits at call	**-**	(791,619)
Impairment losses	**(2,465,817)**	-
Loss before income tax	**(5,121,365)**	(4,322,888)
Income tax expense attributable to subsidiary	**(24,393)**	(58,988)
Net loss attributable to members	**(5,145,758)**	(4,381,876)

Comments on the operations and results of those operations are set out in the attached ASX release entitled ***"Two Way Limited - FY09 Results Announcement"***.

1. PRELIMINARY CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED
30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $
Revenue from ordinary activities	5.1	**1,465,751**	1,274,892
Employee benefits expense		**(1,743,532)**	(2,316,437)
Depreciation and amortisation		**(1,220,243)**	(355,038)
Finance costs		**-**	(26,338)
Professional and consulting fees		**(93,012)**	(347,805)
Travel		**(25,914)**	(39,255)
Licence fees		**(282,737)**	(856,637)
Marketing and promotions		**(123,998)**	(76,783)
Administration expenses		**(435,950)**	(381,271)
Other from ordinary activities		**(195,913)**	(406,597)
Realised loss on sale of deposits at call		**-**	(791,619)
Impairment of assets		**(2,465,817)**	-
Loss before income tax		**(5,121,365)**	(4,322,888)
Income tax expense attributable to subsidiary	5.2	**(24,393)**	(58,988)
NET LOSS ATTRIBUTABLE TO MEMBERS		**(5,145,758)**	(4,381,876)
Overall Operations			
Basic earnings per share (cents per share)	5.6	(4.23)	(4.63)
Diluted earnings per share (cents per share)	5.6	(4.23)	(4.63)

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

2. PRELIMINARY CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED
30 JUNE 2009

	Note	Consolidated 2009 $	2008 $
CURRENT ASSETS			
Cash	5.4	**954,756**	1,540,339
Receivables		**188,198**	137,218
Other		**61,223**	54,032
TOTAL CURRENT ASSETS		**1,204,177**	1,731,589
NON-CURRENT ASSETS			
Property, plant and equipment		**140,155**	235,138
Prepaid wagering fee	5.5	**1,827,522**	5,413,334
TOTAL NON-CURRENT ASSETS		**1,967,677**	5,648,472
TOTAL ASSETS		**3,171,854**	7,380,061
CURRENT LIABILITIES			
Payables		**428,566**	530,596
Provisions		**152,910**	136,507
TOTAL CURRENT LIABILITIES		**581,476**	667,103
NON-CURRENT LIABILITIES			
Provisions		**53,229**	27,193
TOTAL NON-CURRENT LIABILITIES		**53,229**	27,193
TOTAL LIABILITIES		**634,705**	694,296
NET ASSETS		**2,537,149**	6,685,765
EQUITY			
Contributed equity		**47,212,380**	46,220,607
Reserves	5.7	**114,879**	109,510
Accumulated losses	5.10	**(44,790,110)**	(39,644,352)
Parent entity interest		**2,537,149**	6,685,765
TOTAL EQUITY		**2,537,149**	6,685,765

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

3. PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	Contributed Equity $	Retained Profits $	Share Issue Expense Reserve $	Employee Options Reserve $	Total $
Balance at 1.7.2007	52,908,875	(35,701,069)	(7,674,698)	602,762	10,135,870
Shares issued during the year	1,050,075	-	-	-	1,050,075
Loss attributable to members of parent entity	-	(4,381,876)	-	-	(4,381,876)
Employee share options issued	-	-	-	108,764	108,764
Employee share options lapsed or cancelled	-	438,593	-	(602,016)	(163,423)
Share issue expense	-	-	(63,645)	-	(63,645)
Balance at 30.06.2008	**53,958,950**	**(39,644,352)**	**(7,738,343)**	**109,510**	**6,685,765**
Balance at 1.7.2008	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 or cancelled	-	-	-	(55,912)	(55,912)
Share issue expense	-	-	(100,148)	-	(100,148)
Balance at 30.06.2009	**55,050,871**	**(44,790,110)**	**(7,838,491)**	**114,879**	**2.537,149**

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

4. PRELIMINARY CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED
30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**1,459,505**	1,047,128
Payments to suppliers and employees		**(3,086,636)**	(4,477,025)
Interest received		**53,895**	166,238
Borrowing costs		**-**	(26,338)
Prepaid wagering fee		**-**	(2,520,000)
Net cash provided by (used in) operating activities	5.3	**(1,573,236)**	(5,809,997)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		**(5,697)**	(232,032)
Purchase of short term deposits		**-**	(6,000,000)
Proceeds from disposal of short term deposits		**-**	5,242,181
Net cash provided by (used in) investing activities		**(5,697)**	(989,851)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity raising activities		**1,091,921**	1,050,075
Proceeds from borrowings		**-**	677,630
Repayment of borrowings		**-**	(677,630)
Payment of share issue expenses		**(98,571)**	(63,645)
Net cash provided by (used in) financing activities		**993,350**	986,430
Net increase in cash held		**(585,583)**	(5,813,418)
Cash at 1 July 2008		**1,540,339**	7,353,757
Cash at 30 June 2009	5.4	**954,756**	1,540,339

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

5. NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $	2008 $

Note 5.1: Revenue

	Note	2009 $	2008 $
Revenue from operating activities			
- Service revenue		**1,418,105**	1,074,470
- Interest – other persons		**47,646**	195,369
Total revenue from continuing operations		**1,465,751**	1,269,839
Revenue from discontinued operations	5.8	**-**	5,053
Total revenue		**1,465,751**	1,274,892

Note 5.2: Income tax expense

	2009 $	2008 $
Prima facie income tax/ (credit) calculated at 30% on the operating loss	**(1,536,409)**	(1,296,866)
Tax effect of permanent difference	**1,611**	(147,976)
Timing differences	**(296,766)**	(287,578)
Future income tax benefit not brought to account	**1,855,957**	1,791,408
Income tax expense attributable to subsidiary	**(24,393)**	(58,988)

Note 5.3: Reconciliation of net loss from ordinary activities after tax to net cash inflow from operating activities

	2009 $	2008 $
Loss from ordinary activities after income tax	**(5,145,758)**	(4,381,876)
Non-cash flows in loss from ordinary activities		
Depreciation and amortisation	**1,220,243**	355,038
Net loss on disposal of plant and equipment	**-**	(1,522)
Foreign exchange loss	**1,496**	16,192
Loss on sale of deposits at call	**-**	791,619
Impairment losses	**2,465,817**	-
Net employee options expensed	**5,369**	(54,659)
Change in assets and liabilities		
(Increase) / decrease in receivables	**(50,980)**	62,057
(Increase) / decrease in prepaids	**-**	(2,800,000)
(Increase) / decrease in other assets	**(7,191)**	422,508
Increase / (decrease) in trade creditors and accruals	**(104,671)**	(236,728)
Increase / (decrease) in provisions	**42,439**	17,374
Net cash inflow from operating activities	**(1,573,236)**	(5,809,997)

	Note	Consolidated 2009 $	2008 $

Note 5.4: Cash assets

		2009 $	2008 $
Cash at bank		**954,756**	1,540,339

Note 5.5: Prepaid wagering fee

	Note	2009 $	2008 $
Cost		**5,600,000**	5,600,000
Accumulated amortisation	(a)	**(1,306,661)**	(186,666)
Impairment loss booked	(b)	**(2,465,817)**	-
Net carrying value		**1,827,522**	5,413,334

(a) The Company commenced to progressively write off the prepaid wagering fee upon the commercial launch of the Sky Racing Active service 28 April 2008. The fee is amortised on a straight line basis over the term of the Sky Racing Active agreement, which expires in April 2013. The fee write-off, which was disclosed as cost of sales in the June 2008 annual report, has been reclassified to amortisation expense in the full year to 30 June 2009 income statement. The impact of this change on the comparative balances is an increase in retained losses of $169,995 at 30 June 2008.

(b) The Company has reviewed the carrying value of the prepaid wagering fee at the reporting date to determine whether there is any indication of impairment. 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 in the asset's carrying value over its recoverable amount is expensed to the income statement. Consequently, in applying the strict provisions of *AASB 136 Impairment of Assets*, a non-cash impairment loss of $2,465,817 has been recognised at the reporting date. 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.

Note 5.6: Earnings per share

	2009 $	2008 $
(a) Net Loss / earnings used in the calculation of basic EPS	**(5,145,758)**	(4,381,876)
(a) Net Loss / earnings used in the calculation of diluted EPS	**(5,145,758)**	(4,381,876)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	**163,788,135**	109,192,090
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	**163,788,135**	109,192,090

(c) Classification of securities

The ownership-based remuneration scheme with 1,201,600 vested 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 reporting date, conditions which would result in the issue of shares had not been satisfied.

	Note	Consolidated 2009 $	2008 $

Note 5.7: Reserves

Employee options reserve		**114,879**	109,510

During the year, options from the Company's previous options plans lapsed or were voluntarily cancelled.

Note 5.8: Discontinued operations

		2009 $	2008 $
Revenue		**-**	5,053
Operating expenses		**-**	(157,535)
Impairment losses		**-**	-
Loss before income tax		**-**	(152,482)
Income tax expense		**-**	-
Loss attributable to members of the parent entity		**-**	(152,482)

On 30 November 2007, the consolidated group ceased its operations in Asia. As a result, Two Way TV Asia, a 100% subsidiary of the consolidated group, closed its Hong Kong office. Financial performance of the discontinued operation to the date of cessation is included above.

Note 5.9: Development expenditure

During the 2009 financial year, and in line with change in accounting policy in the previous financial year, any development expenditure has been expensed directly to the profit and loss.
The disclosures below, therefore relate to the impacts of the change in the accounting policy to the 2008 and prior financial years.

Financial statement line item	**Impact**	**2009 $**	2008 $	Prior years $
Staff costs	increase	-	187,059	265,615
Outsourced consultants costs	increase	-	-	83,248
General & admin costs (telecommunications)	increase	-	106,669	-
Retained losses	**increase**	**-**	293,728	348,863
Capitalised development costs	**decrease**	**-**	(293,728)	(348,863)

	Note	Consolidated 2009 $	2008 $

Note 5.10: Accumulated losses

	Note	2009 $	2008 $
Accumulated losses at the beginning of the financial year		**(39,644,352)**	(35,701,069)
Accumulated losses for the current year	(a)(b)	**(5,145,758)**	(3,943,283)
Accumulated losses at the end of the financial year		**(44,790,110)**	(39,644,352)

(a) included in the accumulated losses is the transfer from the share options reserve, of cancelled or lapsed options totalling $602,016.
(b) as disclosed in Note 5.5 above, the impact of the change to amortisation of the prepaid wagering fee on the comparative balance is an increase in retained losses of $169,995 at 30 June 2008.

Note 5.11: NTA backing

	Consolidated 2009	2008
Net tangible asset backing per ordinary share	**1.55 cents per share**	6.12 cents per share

Note 5.12: Audit

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

6. BASIS OF PREPARATION OF PRELIMINARY FINAL REPORT

This general purpose financial report for the reporting period ended 30 June 2009 has been prepared in accordance with requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory reporting requirements.

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

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Two Way Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This preliminary final report including the commentary on Group results was approved pursuant to a resolution of the board of directors on 13 August 2009.