

**ASX RELEASE**

**27 August 2008**

**FY08 Results Announcement**

Two Way Limited today released its financial report and accounts for the 12 months ending 30 June 2008.

The results show that operating revenues were down slightly (by \$0.209m or 16%) from the previous year, while operating costs were drastically reduced (by \$2.668m or 37%). This has led to a 37% improvement in the bottom line.

Chief Executive Officer and Managing Director, Mr Ben Reichel, said: "The results reflect the Company's successful exit from previous unprofitable activities in Asia, and the disciplined focus by the Board and management on the Company's wagering and gaming opportunities.

"The year was marked by the successful launch in Victoria of Sky Racing ACTIVE, the Company's TV wagering service."

**Key Financial Information**

	<b>FY08</b>	<b>FY07</b>	<b>% Change</b>
	\$	\$	
Revenue			
- Operating revenue	1.080m	1.289m	Down 16%
- Interest revenue	<u>0.195m</u>	<u>0.829m</u>	Down 76%
Total revenue	1.275m	2.118m	Down 40%
Operating Costs	(4.636m)	(7.304m)	Improved 37%
Operating Result	(3.361m)	(5.186m)	Improved 35%
Abnormals	(0.851m) *	(1.498m) ^	Improved 43%
Net loss	(4.212m)	(6.684m)	Improved 37%

\* - includes the realised loss on sale of deposits at call as a result of the credit market crisis, and a non-material tax expense for a subsidiary

^ - includes write-off of non-wagering capitalised staff costs

## **Review of Operations**

### ***Sky Racing ACTIVE***

The result includes the first two months of revenue, in Victoria only, from the Sky Racing ACTIVE TV wagering service. In those first two months, wagering turnover and revenue from the service met the Company's internal targets.

The service is 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. In addition, Tabcorp account holders in Victoria may access their accounts and place bets.

Wagering turnover via the Sky Racing ACTIVE service has continued to grow, although the rate of growth was affected by the lack of quality racing events during winter. The Company has also limited its marketing of the service to date, with a greater focus to be placed on the upcoming Spring Racing Carnival.

Two Way continues to receive highly positive feedback from our partners and users. All betting transactions via the service are safe, secure and encrypted. Further, the service includes extensive consumer safeguards: it is available only to Tabcorp account holders, who must satisfy identification requirements and be over 18; the service is password and PIN code protected; and the service includes onscreen responsible gambling messages.

Mr Reichel said: "The initial performance of the Sky Racing ACTIVE service is encouraging. While it is early days, we are very pleased with the positive feedback on the service, and the smooth operation of our technology. The service is quickly becoming established as a valuable and popular new service for Tabcorp's wagering customers and viewers of the Sky Racing channel.

"The Company continues to work with its partners to launch the service in other States as soon as possible."

### ***Way2Bet – Wagering Portal***

The Way2Bet wagering portal performed strongly in the second half of the year. This online and mobile service provides a range of information to "help punters bet better", including odds comparisons from leading bookmakers, free form guides, and sports and racing tips.

Mr Reichel said: "The Way2Bet site now has all of the major wagering operators in Australia as clients, and is generating good sales growth and momentum. While total revenue over FY08 was modest, this service has much lower upfront and ongoing costs than the Company's previous activities in Asia."

### ***Way2Play – Games Portal & TV Games Channels***

Revenues from the Company's games channels on Foxtel, Austar and Sky New Zealand were below expectations, particularly in the second half of FY08. A number of promotional initiatives have commenced with our games channel partners to revitalise the service. These initiatives include the launch of branded trivia games from the Australian Football League (AFL), National Rugby League (NRL), and the Music Max channel.



Mr Reichel said: "One key initiative is the Company's revamped casual games portal at Way2Play.com, which has just been soft launched in August 2008. This site capitalises on the Company's strengths in trivia and other casual games, and allows the Company to extend its games offering from pay TV to online. This creates a range of opportunities to add value to our broadcasting partners and sponsors."

### **Other Revenue**

Interest revenue for the period was \$0.195m, down significantly from \$0.829m in the prior year, as a result of the Company's reduced cash holdings. Payment of the upfront wagering fee to Foxtel (total \$5.6m) was the key driver for the reduced cash holdings.

### **Operating Costs**

Operating costs (before abnormals) were (\$4.636m), an improvement of \$2.668m or 37% on the previous year. This reflects significant savings achieved across a number of areas including staff, property, travel and licence fees, as well as reduced depreciation charges.

Further savings are expected in all these areas in FY09. For example, licence fees for FY08 totalled (\$0.857m), a reduction from (\$1.188m) in the previous year. Due to management's renegotiation or termination during the year of various licence agreements which were not delivering value, this amount has now been reduced much further, to an expected (\$0.260m) in FY09.

During the year the Company changed its accounting policy in relation to development expenditure. In previous years, costs directly attributable to the development of the Company's TV wagering service were capitalised as an asset, to be amortised over 3 years once the service was launched commercially. While the Company can currently justify the carrying value of the asset, the Directors have adopted a more conservative approach and have decided that such expenditure will be expensed as incurred. In line with the requirements involved in changing an accounting policy, prior years' results have been amended to expense previously capitalised costs of this nature. Note 5.9 of the attached financial report outlines the impact of the change in accounting policy on current and prior years' results.

In the previous year (FY07), the Company had already written off all capitalised expenditure relating to non-wagering assets, such as the Company's casual games services. Accordingly, the Company is no longer capitalising development expenditure of any kind, which will significantly reduce amortisation charges from FY09 onwards.

### **Abnormal items**

Abnormal items in the results include losses of \$0.791m incurred on the Company's floating rate note investments, as disclosed in previous market releases. The loss was incurred as a result of the credit market crisis from August 2007 onwards, which severely reduced the liquidity of such investments. Despite the difficult market, the Company was able to successfully cash in all of its investments during the year.



## Summary and Outlook

Chairman of Two Way, Mr Stuart McGregor, said: “Two Way, as a business, has been revitalized during the year. This followed the shareholder-driven restructure of the Board in June 2007, and the formation of the new Board and appointment of the new Chief Executive Officer in July 2007.

“The Board and management immediately embarked on a focused set of initiatives. The restructure of the workforce has been successfully completed. The Company moved to new offices in Sydney and closed its office in Hong Kong. Unprofitable activities in Asia were closed down or handed over to third parties, with the Company retaining good relationships with clients in the region. Licensing agreements with third parties were restructured or terminated.

“The most important initiative during the year was the building and launching of the Company’s TV wagering service. The successful launch of the service required our team to overcome numerous commercial, technical, regulatory and political challenges.

“The Company is now focused on the successful growth of our TV wagering service, and its expansion around Australia. In due course, we will look to deploy our technology overseas.

Mr McGregor concluded: “The new financial year will be a defining one for the Company. We continue to work with our partners to secure the launch of the Sky Racing ACTIVE service in other States.”

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### For further information:

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

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### **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 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](http://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, Foxtel, Austar and Sky New Zealand.

To learn more about Two Way visit [www.twowaytv.com.au](http://www.twowaytv.com.au)

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# **TWO WAY LIMITED & CONTROLLED ENTITIES**

**ABN 28 007 424 777**

**ASX Preliminary final report – 30 June 2008**

**Lodged with the ASX under Listing Rule 4.3.A**

**This information should be read in conjunction with the 30 June 2008 Annual Report**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 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

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

### Auditors

Grant Thornton (formerly William Buck)

## Results for Announcement to the Market

<b>Revenue</b> from ordinary activities	Reduced	40%	To	1,274,892
<b>Loss</b> from ordinary activities	Reduced	35%	To	(3,361,278)
<b>Net Loss</b> after sale of deposits at call and income tax expense	Reduced	37%	To	(4,211,885)

### Dividends/distributions

The directors do not recommend the payment of a dividend.

Reporting Period: Year ended 30 June 2008

Previous Corresponding Period: Year ended 30 June 2007

## Review of Operations

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

	Consolidated 2008 \$	2007 \$
<b>Revenue</b>		
Service	1,079,523	1,288,728
Interest – other persons	195,369	828,868
<b>Total revenue</b>	<b>1,274,892</b>	<b>2,117,596</b>
Cost of sales	(16,671)	-
Employee benefits expenses	(2,316,437)	(3,559,053)
Borrowing costs	(26,338)	-
Depreciation and amortisation	(168,373)	(852,483)
Operations and administration	(2,108,351)	(2,892,172)
Loss on sale of deposits at call	(791,619)	-
Impairment losses	-	(1,498,173)
<b>Loss before income tax</b>	<b>(4,152,897)</b>	<b>(6,684,285)</b>
Income tax expense attributable to subsidiary	(58,988)	-
<b>Net loss attributable to members</b>	<b>(4,211,885)</b>	<b>(6,684,285)</b>

Comments on the operations and results of those operations are set out in the attached ASX release entitled **“Two Way Limited - FY08 Results Announcement”**.

**1. PRELIMINARY CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED  
30 JUNE 2008**

	Note	Consolidated	
		2008 \$	2007 \$
Revenue from ordinary activities	5.1	1,274,892	2,117,596
Cost of sales		(16,671)	-
Employee benefits expense		(2,316,437)	(3,559,053)
Depreciation and amortisation		(168,373)	(852,483)
Borrowing costs		(26,338)	-
Professional and consulting fees		(347,805)	(359,068)
Travel		(39,255)	(425,858)
Licence fees		(856,637)	(1,188,380)
Marketing and promotions		(76,783)	(24,554)
Administration expenses		(381,272)	(286,069)
Other from ordinary activities		(406,599)	(608,243)
Realised loss on sale of deposits at call		(791,619)	-
Impairment of assets		-	(1,498,173)
<b>Loss before income tax</b>		<b>(4,192,897)</b>	<b>(6,684,285)</b>
Income tax expense attributable to subsidiary	5.2	<b>(58,988)</b>	-
<b>NET LOSS ATTRIBUTABLE TO MEMBERS</b>		<b><u>(4,211,885)</u></b>	<b><u>(6,684,285)</u></b>
 <b>Overall Operations</b>			
Basic earnings per share (cents per share)	5.6	(4.45)	(7.03)
Diluted earnings per share (cents per share)	5.6	(4.45)	(7.03)

*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 2008**

	Note	Consolidated	
		2008 \$	2007 \$
<b>CURRENT ASSETS</b>			
Cash	5.4	1,540,339	7,353,757
Receivables		137,218	199,275
Other		54,029	471,828
<b>TOTAL CURRENT ASSETS</b>		<b>1,731,586</b>	8,024,860
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		235,138	224,660
Prepaid wagering fee	5.5	5,583,328	2,800,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,818,466</b>	3,024,660
<b>TOTAL ASSETS</b>		<b>7,550,052</b>	11,049,520
<b>CURRENT LIABILITIES</b>			
Payables		377,678	610,659
Provisions		289,425	282,336
<b>TOTAL CURRENT LIABILITIES</b>		<b>667,103</b>	892,995
<b>NON-CURRENT LIABILITIES</b>			
Provisions		27,193	20,655
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>27,193</b>	20,655
<b>TOTAL LIABILITIES</b>		<b>694,296</b>	913,650
<b>NET ASSETS</b>		<b>6,855,756</b>	10,135,870
<b>EQUITY</b>			
Contributed equity		46,220,607	45,234,177
Reserves	5.7	109,510	602,762
Accumulated losses	5.10	(39,474,361)	(35,701,069)
Parent entity interest		6,855,756	10,135,870
<b>TOTAL EQUITY</b>		<b>6,855,756</b>	10,135,870

*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 2008**

	Contributed Equity \$	Retained Profits \$	Share Issue Expense Reserve \$	Employee Options Reserve \$	Total \$
<b>Balance at 1.7.2006</b>	52,908,875	(29,016,783)	(7,674,698)	468,890	16,686,284
Profit/(loss) attributable to members of parent entity	-	(6,684,286)	-	-	(6,684,286)
Employee share options issued	-	-	-	133,872	133,872
<b>Balance at 30.06.2007</b>	<u>52,908,875</u>	<u>(35,701,069)</u>	<u>(7,674,698)</u>	<u>602,762</u>	<u>10,135,870</u>
<b>Balance at 1.7.2007</b>	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
Profit/(loss) attributable to members of parent entity	-	(4,211,885)	-	-	(4,211,885)
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)
<b>Balance at 30.06.2008</b>	<u>53,958,950</u>	<u>(39,474,361)</u>	<u>(7,738,343)</u>	<u>109,510</u>	<u>6,855,756</u>

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

**4. PRELIMINARY CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED  
30 JUNE 2008**

	Note	Consolidated	
		2008 \$	2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,047,128	1,237,819
Payments to suppliers and employees		(4,477,025)	(6,908,576)
Interest received		166,238	869,235
Borrowing costs		(26,338)	-
Prepaid wagering fee		<u>(2,520,000)</u>	<u>(3,080,000)</u>
Net cash provided by (used in) operating activities	5.3	<u>(5,809,997)</u>	<u>(7,881,523)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(232,033)	(81,198)
Purchase of short term deposits		(6,000,000)	-
Proceeds from disposal of short term deposits		<u>5,242,181</u>	<u>-</u>
Net cash provided by (used in) investing activities		<u>(989,852)</u>	<u>(81,198)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share placement		1,050,075	-
Proceeds from borrowings		677,630	-
Repayment of borrowings		(677,630)	-
Payment of share issue expenses		<u>(63,645)</u>	<u>-</u>
Net cash provided by (used in) financing activities		<u>986,430</u>	<u>-</u>
Net increase in cash held		(5,813,419)	(7,962,722)
Cash at 1 July 2007		<u>7,353,757</u>	15,316,479
Cash at 30 June 2008	5.4	<u>1,540,339</u>	<u>7,353,757</u>

*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 2008**

	Note	Consolidated	
		2008	2007
		\$	\$
<b>Note 5.1: Revenue</b>			
Revenue from operating activities			
- Service revenue		1,074,470	1,012,850
- Interest – other persons		195,369	828,868
Total revenue from continuing operations		1,269,839	1,841,718
Revenue from discontinued operations	5.8	5,053	275,878
Total revenue		1,274,892	2,117,596
<b>Note 5.2: Income tax expense</b>			
Prima facie income tax/ (credit) calculated at 30% on the operating loss		(1,245,869)	(2,005,361)
Tax effect of permanent difference		(147,976)	(134,549)
Timing differences		(287,577)	(127,855)
Future income tax benefit not brought to account		1,740,410	2,297,765
Income tax expense attributable to subsidiary		(58,988)	-
<b>Note 5.3: Reconciliation of net loss from ordinary activities after tax to net cash inflow from operating activities</b>			
Loss from ordinary activities after income tax		(4,211,885)	(6,684,285)
Non-cash flows in loss from ordinary activities			
Depreciation and amortisation		168,373	852,483
Net loss on disposal of plant and equipment		(1,522)	3,990
Foreign exchange loss		16,192	1,621
Loss on sale of deposits at call		791,619	-
Impairment losses		-	1,498,173
Net employee options expensed		(54,659)	133,872
Change in assets and liabilities			
(Increase) / decrease in receivables		62,057	32,654
(Increase) / decrease in prepaids		(2,783,329)	(2,800,000)
(Increase) / decrease in other assets		422,512	(1,064,110)
Increase / (decrease) in trade creditors and accruals		(232,981)	210,133
Increase / (decrease) in provisions		13,627	(66,053)
Net cash inflow from operating activities		(5,809,997)	(7,881,523)

	Note	Consolidated	
		2008 \$	2007 \$
<b>Note 5.4: Cash assets</b>			
Cash at bank		<u>1,540,339</u>	<u>7,353,757</u>
<b>Note 5.5: Prepaid wagering fee</b>			
Cost		5,600,000	2,800,000
Accumulated amortisation		<u>(16,672)</u>	-
Net carrying value		<u>5,583,328</u>	<u>2,800,000</u>

Per the terms of the signed Sky Racing Active service agreement, Two Way paid Foxtel \$5.6m (plus GST) in two tranches, with the first 50% paid on signing of the agreement (8 June 2007). The remaining 50% was paid on 31 December 2007. The amortisation of the asset commenced in May 2008 after launch of the commercial service in Victoria.

**Note 5.6: Earnings per share**

(a) Net Loss / earnings used in the calculation of basic EPS	<u>(4,211,885)</u>	(6,684,285)
(a) Net Loss / earnings used in the calculation of diluted EPS	<u>(4,211,885)</u>	(6,684,285)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	<u>109,192,090</u>	90,100,000
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	<u>109,192,090</u>	90,100,000
(c) Classification of securities		

The ownership-based remuneration scheme with 580,000 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 5.7: Reserves**

Employee options reserve	<u>109,510</u>	<u>602,762</u>
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During the year, options from the Company's previous options plans lapsed or were voluntarily cancelled. This represents a movement within equity (ie between option holders' interest and shareholders' interest) to reflect that these share options are no longer outstanding.

Note	Consolidated	
	2008 \$	2007 \$

**Note 5.8: Discontinued operations**

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 which is included in the preliminary consolidated income statement is as follows:

Revenue	<b>5,053</b>	275,878
Operating expenses	<b>(157,535)</b>	(665,406)
Impairment losses	-	(104,556)
Loss before income tax	<b>(152,482)</b>	(494,084)
Income tax expense	-	-
Loss attributable to members of the parent entity	<b>(152,482)</b>	(494,084)

**Note 5.9: Development expenditure**

In the reporting periods prior to the 2008 financial year, the Company capitalised expenditure relating to the development of its interactive wagering service. These costs would then be progressively amortised over 3 years from the commercial launch of the service (28 April 2008).

For the year ending 30 June 2008, the existing policy was changed whereby development expenditure would be expensed directly and in full to the profit and loss. The Directors acknowledged that whilst the Company could currently justify the carrying value of the asset (ie the costs capitalised to date), it was considered more prudent to expense these costs as they were incurred. The impact of this change on current and prior years' results are:

Financial statement line item	Impact	2008 \$	2007 \$	Prior years \$
Staff costs	increase	187,059	265,615	293,026
Outsourced consultants costs	increase	-	83,248	-
General & admin costs (telecommunications)	increase	106,669	-	-
<b>Retained losses</b>	<b>increase</b>	<b>293,728</b>	<b>348,863</b>	<b>293,026</b>
<b>Capitalised development costs</b>	<b>decrease</b>	<b>(293,728)</b>	<b>(348,863)</b>	<b>(293,026)</b>

	Note	Consolidated	
		2008	2007
		\$	\$
<b>Note 5.10: Accumulated losses</b>			
Accumulated losses at the beginning of the financial year		(35,701,069)	(29,016,784)
Accumulated losses for the current year	(a)	<u>(3,773,292)</u>	<u>(6,684,285)</u>
Accumulated losses at the end of the financial year		<u>(39,474,361)</u>	<u>(35,701,069)</u>

(a) included in the accumulated losses is the transfer from the share options reserve, of cancelled or lapsed options totalling \$602,016.

**Note 5.11: NTA backing**

	Consolidated	
	2008	2007
Net tangible asset backing per ordinary share	<u>6.28 cents per share</u>	11.96 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 2008 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 2008 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 21 August 2008.