

ASX RELEASE

26 August 2010

FY10 Results Announcement

Two Way Limited today released its financial report and accounts for the 12 months ending 30 June 2010. The full year results are the strongest recorded in the Company's history, and were driven by a significant improvement in the operating result.

Operating revenues grew **17%** (or \$0.238m) from the previous year, while operating costs declined **3%**. This led to a **23%** improvement in the operating result, which builds 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 bottom line improved considerably (by **41%**). However, it was still adversely affected by a non-cash impairment charge of \$1.589m, 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.

Key Financial Information

	FY10	FY09	% Change
Revenue			
- Operating revenue	\$1.656m	\$1.418m	Up 17%
- Interest revenue	<u>\$0.041m</u>	<u>\$0.048m</u>	Down 14%
Total revenue	\$1.697m	\$1.465m	Up 16%
Operating Costs	\$(2.800m)	\$(2.901m)	Reduced 3%
Operating Result	\$(1.103m)	\$(1.436m)	Improved 23%
Depreciation & Amortisation	\$(0.335m)	\$(1.220m)	Decreased 73%
Abnormals	\$(1.615m) *	\$(2.490m)	Decreased 35%
Net loss	\$(3.053m)	\$(5.146m)	Improved 41%

* - includes a non-cash impairment charge of \$1.589m against the carrying value of the prepaid wagering fee; together with a non-material tax expense for a subsidiary.

Review of Operations

TAB ACTIVE – TV Wagering Service

The Company's TV wagering service, known as TAB ACTIVE, continued to grow strongly during the year.

The service is currently available to Foxtel and Optus TV subscribers located in the metropolitan areas of Sydney and Melbourne. The service provides detailed race and wagering information to viewers of the three Sky Racing channels, and also allows Tabcorp account holders to access their accounts and place bets.

Chief Executive Officer and Managing Director, Mr Ben Reichel, said "Our TV wagering service is showing healthy growth, and we're pleased to report that it was Tabcorp's fastest-growing wagering channel during the year. Total turnover through our service increased by more than 96% on the previous financial year.

"In July 2010, we passed the twin milestones of more than 10 million bets placed through the service, and more than \$90 million in turnover through the service.

"The Company conducted a number of successful marketing campaigns during the year, focusing on the Spring and Autumn Racing Carnivals. We are now in the process of finalising the campaign for this year's Spring Racing Carnival.

"We continue to work hard on expanding the TV wagering service around Australia. Given the growth potential that we see in this advanced and convenient form of wagering technology, it is extremely frustrating to us that even now, the service is still only available in the metropolitan areas of Sydney and Melbourne.

"As previously reported to the market, 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 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 we continue to seek final regulatory approvals."

Way2Bet – Wagering Portal

The Way2Bet wagering portal continues to grow 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.

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 that Two Way earns from the bookmakers.

Mr Reichel said "The Way2Bet portal has good strategic value to us, as we have all of the major corporate bookmakers in Australia as clients of the service, as well as Tabcorp and Betfair."



Way2Play – Games Services

Revenue through the Company's interactive TV games channels declined further during the year, as a result of Austar's decision to terminate all of its games channels at the end of March 2010. However Sky New Zealand has successfully increased its games subscriber base during the year, with marketing campaigns jointly funded by both companies. Two Way will continue to work with Sky New Zealand to actively promote the service.

Mr Reichel said: "We are pleased with the results of our Sky New Zealand games channel. These results show that interactive TV games channels can work well, provided that some effort is made to promote the service."

Other Revenue

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

Operating costs (before depreciation & amortisation and abnormal items) were \$2.8m, a reduction of 3% on the previous year, reflecting a continued focus on cost reduction.

With the growth of 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 & other costs down \$0.02m or 7%.

Depreciation & Amortisation

Depreciation and amortisation charges decreased dramatically (by 73% or \$0.885m) on the prior year. The Company's decision in December 2009 to write down the carrying value of the prepaid wagering fee to zero (see Abnormal Items below), resulted in there being no further amortisation charges from January 2010. Depreciation charges also declined during the year as a number of the Company's fixed assets reached their full written down values.

Abnormal items

Abnormal items in the results include a non-cash impairment charge of \$1.589m. As part of the December 2009 Half Year Accounts and audit process, the Company assessed the carrying value of the prepaid wagering fee paid to Foxtel in 2007, in line with the strict provisions of AASB 136 *Impairment of Assets*. As a result, the Directors decided to write down the remaining carrying value of the asset to zero.

The impairment charge is a non-cash item, which has no impact on ongoing operations.



Summary and Outlook

Chairman of Two Way, Mr Stuart McGregor, said: “The Company continues to grow and to demonstrate its potential as a developer and operator of advanced interactive technology, particularly for wagering operators.

“The Board is especially pleased that our strategy has resulted in a second successive year of increasing revenues, while simultaneously cutting costs. We are encouraged by this indication that our strategy for the business is the correct one.

“The Board and management team have continued to maintain a tight leash on cash expenses, but our TV wagering service cannot grow without some investment in marketing and telecommunications. We are pleased that these investments have paid off, as shown by the dramatic increase in turnover through our service during the year.

“However we are incredibly frustrated by the delays we have experienced in expanding our TV wagering service around the country. These delays have severely handicapped our ongoing efforts to reach a cash-flow positive position.

“Given the benefits that our technology provides to wagering operators, the racing industry and punters, we are confident that a sensible assessment of our service would allow us to commence operations in those jurisdictions where we have been delayed.

“We continue to believe that once we are in a position to operate our business on a national basis, our small company will make a valuable contribution to the wagering industry in this country and beyond.”

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 (RWVA) 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



TWO WAY LIMITED & CONTROLLED ENTITIES

ABN 28 007 424 777

ASX Preliminary final report – 30 June 2010

Lodged with the ASX under Listing Rule 4.3.A

This information should be read in conjunction with the 30 June 2010 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 2010 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

Mr Benedict Paul Reichel

Mr Christopher Roberts Grant-Foster

Mr Craig Francis Connelly

(Non-Executive Chairman)

(Managing Director)

(Non-Executive Director)

(Non-Executive Director) (retired 16 November 2009)

Company Secretary

Mr Rointon Gerald Nugara

Registered Office

Suite 2.05

55 Miller Street

Pymont 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	16%	To	1,696,946
Loss from ordinary activities	Decreased	46%	To	(1,437,812)
Net Loss after income tax expense	Decreased	41%	To	(3,052,894)

Dividends/distributions

The directors do not recommend the payment of a dividend.

Reporting Period: Year ended 30 June 2010

Previous Corresponding Period: Year ended 30 June 2009

Review of Operations

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

	Consolidated	
	2010	2009
	\$	\$
Revenue		
Service	1,656,081	1,418,105
Interest – other persons	40,865	47,646
Total revenue	<u>1,696,946</u>	<u>1,465,751</u>
Employee benefits expenses	(1,566,862)	(1,743,532)
Finance costs	-	-
Depreciation and amortisation	(334,905)	(1,220,243)
Operations and administration	(1,232,990)	(1,157,524)
Impairment losses	(1,589,148)	(2,465,817)
Loss before income tax	<u>(3,026,959)</u>	<u>(5,121,365)</u>
Income tax expense attributable to subsidiary	(25,935)	(24,393)
Net loss attributable to members	<u>(3,052,894)</u>	<u>(5,145,758)</u>

Comments on the operations and results of those operations are set out in the attached ASX release entitled **“Two Way Limited – FY10 Results Announcement”**.

**1. PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED
30 JUNE 2010**

	Note	Consolidated	
		2010 \$	2009 \$
Revenue	5.1	1,696,946	1,465,751
Employee benefits expense		(1,566,862)	(1,743,532)
Depreciation and amortisation		(334,905)	(1,220,243)
Professional and consulting fees		(159,897)	(93,012)
Licence fees		(193,582)	(282,737)
Marketing and promotions		(219,060)	(123,998)
Telecommunications and hosting		(378,615)	(355,751)
Administration expenses		(76,124)	(80,199)
Other expense from ordinary activities		(205,712)	(221,827)
Impairment of assets		(1,589,148)	(2,465,817)
Loss before income tax		(3,026,959)	(5,121,365)
Income tax expense attributable to subsidiary	5.2	(25,935)	(24,393)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,052,894)	(5,145,758)
 Overall Operations			
Basic earnings per share (cents per share)	5.6	(1.68)	(4.23)
Diluted earnings per share (cents per share)	5.6	(1.68)	(4.23)

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

**2. PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010**

	Note	Consolidated	
		2010	2009
		\$	\$
CURRENT ASSETS			
Cash	5.4	742,581	954,756
Receivables		157,664	188,198
Other		53,752	61,223
TOTAL CURRENT ASSETS		953,997	1,204,177
NON-CURRENT ASSETS			
Property, plant and equipment		46,139	140,155
Prepaid wagering fee	5.5	-	1,827,522
TOTAL NON-CURRENT ASSETS		46,139	1,967,677
TOTAL ASSETS		1,000,136	3,171,854
CURRENT LIABILITIES			
Payables		243,935	428,566
Provisions		164,739	152,910
TOTAL CURRENT LIABILITIES		408,674	581,476
NON-CURRENT LIABILITIES			
Provisions		73,469	53,229
TOTAL NON-CURRENT LIABILITIES		73,469	53,229
TOTAL LIABILITIES		482,143	634,705
NET ASSETS		517,993	2,537,149
EQUITY			
Contributed equity		48,220,435	47,212,380
Reserves	5.7	81,402	114,879
Accumulated losses	5.8	(47,783,844)	(44,790,110)
Parent entity interest		517,993	2,537,149
TOTAL EQUITY		517,993	2,537,149

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 2010**

	Contributed Equity \$	Retained Profits \$	Share Issue Expense Reserve \$	Employee Options Reserve \$	Total \$
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
Balance at 1.7.2009	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	-	(3,052,894)	-	-	(3,052,894)
Employee share options issued	-	-	-	25,683	25,683
Employee share options lapsed or cancelled	-	59,160	-	(59,160)	-
Share issue expense	-	-	(83,875)	-	(83,875)
Balance at 30.06.2010	56,142,801	(47,783,844)	(7,922,366)	81,402	517,993

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

**4. PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
30 JUNE 2010**

	Note	Consolidated	
		2010	2009
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,735,126	1,459,505
Payments to suppliers and employees		(2,993,684)	(3,085,059)
Interest received		40,858	53,895
		40,858	53,895
Net cash used in operating activities	5.3	(1,217,700)	(1,571,659)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(1,750)	(5,697)
		(1,750)	(5,697)
Net cash used in investing activities		(1,750)	(5,697)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity raising activities		1,091,930	1,091,921
Payment of share issue expenses		(84,655)	(100,148)
		(84,655)	(100,148)
Net cash provided by (used in) financing activities		1,007,275	991,773
Net increase (decrease) in cash & cash equivalents held		(212,175)	(585,583)
Cash and cash equivalents at the beginning of the year		954,756	1,540,339
Cash and cash equivalents at the end of the year	5.4	742,581	954,756

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 2010**

	Note	Consolidated	
		2010	2009
		\$	\$
Note 5.1: Revenue			
Revenue from operating activities			
- Service revenue		1,656,081	1,418,105
- Interest – other persons		40,865	47,646
Total revenue from continuing operations		1,696,946	1,465,751
Total revenue		1,696,946	1,465,751
Note 5.2: Income tax expense			
Prima facie income tax/ (credit) calculated at 30% on the operating loss		(915,868)	(1,536,409)
Tax effect of:			
Share-based payments		(10,043)	1,611
Other non-deductible items		(12,027)	(296,766)
Add deferred tax asset not brought to account		963,873	1,855,957
Income tax expense attributable to subsidiary		25,935	24,393
Note 5.3: Reconciliation of net loss after tax to net cash inflow from operating activities			
Loss after income tax		(3,052,894)	(5,145,758)
Non-cash flows in loss from ordinary activities			
Depreciation and amortisation		334,905	1,220,243
Foreign exchange loss		1,897	1,496
Impairment losses		1,589,148	2,465,817
Net employee options expensed		25,683	5,369
Change in assets and liabilities			
(Increase) / decrease in receivables		30,534	(50,980)
(Increase) / decrease in prepaids		-	-
(Increase) / decrease in other assets		7,471	(7,191)
Increase / (decrease) in trade creditors and accruals		(185,660)	(103,094)
Increase / (decrease) in provisions		32,069	42,439
Increase / (decrease) in income tax payable		(853)	-
Net cash inflow from operating activities		(1,217,700)	(1,571,659)

	Note	Consolidated	
		2010 \$	2009 \$
Note 5.4: Cash assets			
Cash at bank		742,581	954,756
Note 5.5: Prepaid wagering fee			
Cost		5,600,000	5,600,000
Accumulated amortisation		(1,545,035)	(1,306,661)
Accumulated impairment losses	(a)	(4,054,965)	(2,465,817)
Net carrying value		-	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, 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.

Note 5.6: Earnings per share

(a) Net Loss / earnings used in the calculation of basic EPS	(3,052,894)	(5,145,758)
(a) Net Loss / earnings used in the calculation of diluted EPS	(3,052,894)	(5,145,758)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	191,086,373	163,788,135
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	191,086,373	163,788,135
(c) Classification of securities		

The ownership-based remuneration scheme with 621,600 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	
	2010	2009
	\$	\$

Note 5.7: Reserves

Employee options reserve	<u>81,402</u>	<u>114,879</u>
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During the year, 580,000 options (\$59,160) from the Company's 2007 options plan lapsed.

Note 5.8: Accumulated losses

Accumulated losses at the beginning of the financial year	(44,790,110)	(39,644,352)
Accumulated losses for the current year	(3,052,894)	(5,145,758)
Employee options lapsed – written back to accumulated losses	59,160	-
Accumulated losses at the end of the financial year	<u>(47,783,844)</u>	<u>(44,790,110)</u>

Note 5.9: NTA backing

	Consolidated	
	2010	2009
Net tangible asset backing per ordinary share	<u>0.27 cents per share</u>	<u>1.55 cents per share</u>

Note 5.10: 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 2010 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 2010 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 19 August 2010.