ASX: TTV

A S X R E L E A S E

27 September 2012

2012 Annual Report

In accordance with Listing Rule 4.7, Two Way Limited lodges its Annual Report for the financial year ended 30 June 2012 (including the directors' report, the financial report, the directors' declaration and the audit report).

A Notice of Meeting for the 2012 Annual General Meeting, to be held on 15 November 2012 (including explanatory notes, letter of invitation to shareholders and proxy form), will be lodged in due course.

For further information:

Rointon Nugara
Company Secretary
Phone: +612 9017 7000

ABOUT TWO WAY LIMITED (ASX: TTV)

Two Way creates, develops and builds advanced interactive media and gambling applications for mobile, internet, TV and IPTV platforms. Our competitive strengths include our specialised expertise, patented technology and library of interactive applications which have been deployed on all devices.

Two Way has developed an award-winning interactive TV wagering service with Tabcorp Holdings Limited (ASX:TAH) taking in New South Wales and Victoria in conjunction with Foxtel, and seen on Sky Racing 1, Sky Racing 2 and Sky Racing World. This has now been extended to include Racing and Wagering Western Australia (RWWA) and TattsBet Limited (ASX:TTS) covering Queensland & South Australia. 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, utilising the red button on the Foxtel remote providing the latest synchronization 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, TattsBet, Centrebet, IAS Bet, Luxbet, Sportingbet, Betfair, Optus TV, LG, Samsung and Sky New Zealand.

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

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INTERACTIVE ENTERTAINMENT

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TWO WAY LIMITED & CONTROLLED ENTITIES
ABN 28 007 424 777

From the Chairman

The 2012 financial year has been one of challenge and opportunity for Two Way Limited. In spite of a lack lustre economy it is pleasing to note that the business is in better shape than at any time in preceding years.

The business activities revolve round four key areas.

1) Tab Active
2) Way2Bet
3) Internet Protocol Television and development work
4) Games

The Tab Active Service has now been rolled out nationally with the deployment of the service in Western Australia through its TAB operator, Racing and Wagering Western Australia in July 2011. Work continues to focus on consolidating and promoting the service throughout the mainland States, with the real prospect of major progress arising out of the merger of Foxtel and Austar, together with the enhanced capacity that will come from the National Broadband Network roll out.

The Way2Bet online and mobile wagering portal has gained significant momentum during the year, with commercial agreements completed with all major corporate bookmakers, together with the roll out of specialist gaming websites. This has resulted in significant revenue growth of 22% along with enhanced exposure aided by a successful search engine optimisation and social media strategy.

Internet Protocol Television development work resulted in agreements with both Samsung and LG during the year, introducing applications for smart TVs in relation to Betfair and Sportingbet. Development work is continuing to take place and further initiatives are expected to be announced during the current year.

A number of tenders have been completed for development work in rolling out internet, mobile and television applications. There is every expectation that a number of these tenders will be successful and provision has been made with a Malaysian associate for the outsourcing of technical work to support the Two Way development team.

In September 2011 your company secured an important corner stone investor, Main Ace Investment Limited of Malaysia, with its principle Mr Gerald Tan joining the Board. This has led to a number of significant developments foremost of which is the recently executed binding merger implementation deed with Donaco Singapore Pte Ltd (Donaco), for the purchase by Two Way of Donaco's Lao Cai International Hotel (a hotel and entertainment complex in Vietnam adjacent to China's Yunnan province). This proposal, which will create a cash flow positive and profitable ASX listed entity with significant international exposure, will be proposed for approval by shareholders at the forthcoming general meeting in November 2012.

A share placement was also successfully concluded with Mr Tan and associates on 18th September 2012 at 1.5 cents per share, resulting in an injection of $250,000 into Two Way.

OUTLOOK

Through the securing of a cornerstone investor and the subsequent initiatives that flowed from this, your board has been able to significantly enhance the prospects of your company. Your board believes this will underpin its future through the advancement of its core competence in developing interactive media and gambling applications for deployment on television mobile and internet platforms, as well as opening up a range of opportunities in adjacent fields. In this regard we very much welcome Donaco's involvement and look forward to working with its directors and management in delivering enhanced benefits to Two Way's shareholders and staff.

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 Christopher Roberts Grant-Foster Non-Executive Director (retired 31 January 2012)

Chris Grant-Foster has his own consulting business, Number Eight Management, with a focus on strategic management, sales and marketing, M&A, capital raising and restructuring. He has also held the position of Non Executive Chairman of Geo Exchange Pty Ltd since February 2011. 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 was Chairman of both Two Way Limited's Nominations, Remuneration & Corporate Governance Committee, and the Audit & Risk Management Committee.
Chris retired as Director on 31 January 2012 but stayed on as Chief Executive Officer until leaving the Company on 19 July 2012.

Mr Benedict Paul Reichel Non-Executive Director

Ben Reichel is a company director and advisor in the media, gaming and technology sectors, with more than twenty years experience in major Australian listed public companies and law firms.
Ben held the position of Chief Executive Officer and Managing Director of the Company from July 2007 to January 2012, at which point he stepped down to pursue the next phase of his career. During his tenure he improved the Company's bottom line by 85%. Ben also previously held positions of Chief Operating Officer, General Counsel and Company Secretary. Before joining Two Way, Ben held positions as General Counsel of Tab Limited, and of racing broadcaster Sky Channel Pty Limited. He has also held a number of executive positions at Publishing and Broadcasting Limited.
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.

Mr Gerald Nicholas Eng Hoe Tan Non-Executive Director (appointed 4 October 2011)

Gerald Tan is a serial entrepreneur who has founded numerous companies in the digital and interactive media space. Gerald is the Managing Partner of Nuetree Capital, with over 19 years of experience on both the sell and buy side of the venture capital and private equity business.
Prior to joining Nuetree, Gerald was the Group Managing Director and Co-Founder of Phoenix Investment Global Limited, a leading pan-Asian interactive new media company. Phoenix was a regional leader in interactive TV solutions as well as branded content creation, with exclusive partnerships with Chelsea Football Club. Prior to Phoenix, he founded N-Visio Ltd, an interactive television technologies company that developed Asia's first real time 3-D interactive TV system. This solution was used extensively in Malaysia, Indonesia and China. Gerald has a Bachelor of Economics from the University of Western Australia and an MBA from the Graduate School of Business, The University of Sydney.

Corporate Governance Statement

Two Way Limited (the Company) is committed to good corporate governance practices through its established 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 polices 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 Guide to reporting on Principle 1.	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 but the Company complies
2.3 The roles of the chairperson and chief executive officer should not be exercised by the same individual.	Not specifically noted but the Company complies
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 Guide to reporting on Principle 2.	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: • 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 Guide to reporting on Principle 3.	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: • 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). NB: currently the Committee comprises only 2 members, which is deemed sufficient at this stage
4.3 The audit committee should have a formal Charter.	Audit & Risk Management Committee Charter
4.4 Provide the information indicated in Guide to reporting on Principle 4.	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 Disclosure Policy & Policy for Handling Conflicts of Interest
5.2 Provide the information indicated in Guide to reporting on Principle 5.	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 Guide to reporting on Principle 6.	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 Guide to reporting on Principle 8.	General compliance

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities or ("**economic entity**" or "**Group**") for the financial year ended 30 June 2012.

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 (Non-Executive Director)
Mr Christopher Roberts Grant-Foster (Non-Executive Director) – retired 31 January 2012
Mr Gerald Nicholas Eng Hoe Tan (Non-Executive Director) – appointed 4 October 2011

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 23 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 $1,362,416 in the 2012 financial year. Revenues from the Company's Way2Bet online and mobile portal grew 22%, as a result of improved affiliate deals, and the success of the Search Engine Optimisation (SEO) and Social Media strategies, which drove increased traffic to both the online and mobile portals. However apart from Way2Bet, all other revenue lines declined in the year, which lead to an overall decline of 15% in revenues.

Expenses remained largely unchanged from the prior year.

There were no abnormal charges this year, following the Board's decisions in previous financial years to carry no intangible assets on the statement of financial position. Depreciation charges were also reduced, as a number of tangible assets reached their full written down values during the year. The Company successfully applied for a research and development tax offset during the year, which provided a cash benefit.

Operating cash outflow ($1.278m) increased 24% on FY11 ($1.029m). Increased capital raising and shares issued during the year meant that net cash flow improved, from an outflow of $0.508m in FY11, to an inflow of $0.192m.

The Total Comprehensive Loss in the 2012 financial year of ($1,287,657) increased (by 25%) on the previous year.

BUSINESS STRATEGIES AND PROSPECTS

The results provide the background for the Board's determination to pursue a restructure of the business, in order to achieve value for shareholders. We are extremely pleased to have sign-ed a binding Merger Implementation Agreement with Donaco Singapore Pte Ltd, in order to transform Two Way into a much larger ASX listed company, with significant international operations, which will be both profitable and cash-flow positive.

The Board has demonstrated that we are not willing to pursue mergers or other deals that do not make sense for our shareholders. This emphasises our belief that the deal with Donaco does provide a good outcome for our shareholders.

The ongoing improvements in the Way2Bet business show the potential that can still be achieved through local operations. We will continue to manage and develop those lines of business that draw on the Company's expertise in interactive services, particularly in the wagering and gaming sectors, to provide positive returns to shareholders.

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 at 30 June 2012 were $572,492 (30 June 2011: $23,228). Increased cash and short term investment (from capital raising activities) contributed to the increase.

The group's working capital, being current assets less current liabilities was $604,993 (2011: $40,492). The increased cash and short term investment, mentioned above, contributed to the increase.

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid during the financial year (2011: $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

On 19 July 2012, the Company announced the departure of its Chief Executive Officer, Mr Chris Grant-Foster. In the short term, the Board will play an active role in ensuring that the Company continues to manage and develop its business opportunities.

On 24 August 2012, the Company announced it had signed a non-binding Heads of Agreement with Donaco Singapore Pte Ltd, for the sale by Donaco of its 75% share in Lao Cai International Hotel (a hotel and entertainment complex on the Vietnam/China border) to Two Way, in return for Two Way shares. This was followed on 18 September 2012, by an announcement that the two companies progressed to the next stage by signing a binding Merger Implementation Deed. Refer Note 25 to the financial statements for further information on this matter.

DIRECTORS' MEETINGS

During the financial year, 11 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	10	10	1	1	-	-
B P Reichel	10	10	-	-	-	-
C R Grant-Foster	6	6	1	1	-	-
G N Tan	7	5	-	-	-	-

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	2,536,333	-	2,536,333
B P Reichel	2,354,083	270,000[1]	2,624,083
C R Grant-Foster	602,886	-	602,886
G N Tan[2]	27,350,000	16,250,000	43,600,000

1: Represents options that have fully vested and unexpired as at the date of this report. Refer the Remuneration Report for further details.
2: Certain shareholdings are held directly by Mr Tan (via a private nominee company), whilst other shareholdings and all of the options are held by Main Ace Investment Limited, an entity of which Mr Tan is a director.

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 2012 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 and share-based bonuses, as detailed in the tables of this report, can be payable if key performance indicators are met. In relation to the CEO, KPIs have been based on: meeting or exceeding budgeted annual revenues; meeting or decreasing budgeted annual spend; meeting or improving budgeted annual cash flow; and successfully attracting significant additional funding into the Company.

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.

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 2012

(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 B P Reichel – Managing Director & CEO (retired 31 January 2012), Non-Executive Director (from 1 Feb 2012)
Mr C R Grant-Foster - Non-Executive Director (retired 31January 2012)
Mr G N Tan – Non-Executive Director (appointed 4 October 2011)

Executives

Mr C R Grant-Foster – Chief Executive Officer (1 February to 19 July 2012)
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

i) Specified Directors

	Short-term benefits			Post-employment benefits	Other long-term benefits	Termination benefits [4]	Share-based payments				
	Gross Salary Fees and Commissions [1]	Cash Bonus	Non-monetary Benefits [2]	Super-annuation [3]			Options	Shares	Total	Percentage of Remuneration comprising Options	Percentage of Remuneration related to Performance
2012	$	$	$	$	$	$	$	$	$		
Mr S J McGregor (Non-Executive)	49,720	-	-	58,190	-	-	-	-	107,910	0.0%	0.0%
Mr B P Reichel (Managing Director & CEO)	182,556	17,500	788	15,385	-	180,161		17,500	413,889	0.0%	8.5%
Mr C R Grant-Foster (Non-executive) [5]	31,500	-	-	2,835	-	-	-	-	34,335	0.0%	0.0%
Mr G N Tan (Non-Executive)	40,500	-	-	-	-	-	-	-	40,500	0.0%	0.0%
	304,276	17,500	788	76,410	-	180,161	-	17,500	596,634		
2011											
Mr S J McGregor (Non-executive)	67,720	-	-	50,000	-	-	-	-	117,720	0.0%	0.0%
Mr B P Reichel (Managing Director & CEO)	313,168	25,000	-	25,000	-	-	2,275	-	365,443	0.6%	4.8%
Mr C R Grant-Foster (Non-executive)	54,000	-	-	4,860	-	-	-	-	58,860	0.0%	0.0%
Total	434,888	25,000	-	79,860	-	-	2,275	-	542,023		

1 Non-executive Directors' remuneration represents fees in connection with attending Board meetings and Board Committee meetings.
2 Mr Reichel - relates to the provision of an Apple iPhone through an effective salary sacrifice arrangement.
3 Mr McGregor - relates to superannuation contributuons through an effective salary sacrifice arrangement.
4 Mr Reichel's position as Managing Director was made redundant on 31 January 2012, but remained on the Board as a Non-Executive director from 1 February 2012.
5 Mr Grant-Foster retired from the Board on 31 January 2012 and was appointed CEO effective 1 February 2012.

ii) Specified Executives

	Short-term benefits			Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments				
	Gross Salary Fees and Commissions	Cash Bonus	Non-monetary Benefits [6]	Super-annuation [7]			Options	Shares	Total	Percentage of Remuneration comprising Options	Percentage of Remuneration related to Performance
2012	$	$	$	$	$	$	$	$	$		
Mr C R Grant-Foster	77,692	-	-	9,685	-	-	-	-	87,377	0.0%	0.0%
Mr R G Nugara	148,180	-	-	13,336	-	-	-	-	161,516	0.0%	0.0%
Mr G J Kean	133,998	10,000	23,750	15,097	-	-	-	-	182,845	0.0%	5.5%
Mr F R Magrini	165,277	-	650	14,932	-	-	-	-	180,859	0.0%	0.0%
	525,146	10,000	24,400	53,051	-	-	-	-	612,597		
2011											
Mr R G Nugara	144,571	-	-	13,011	-	-	1,047	-	158,630	0.7%	0.0%
Mr G J Kean	131,887	15,000	23,750	15,357	-	-	1,638	-	187,632	0.9%	6.6%
Mr F R Magrini	160,069	-	2,073	14,593	-	-	1,365	-	178,100	0.8%	0.0%
Total	436,526	15,000	25,823	42,962	-	-	4,050	-	524,362		

6 Mr Kean - relates to the provision of a fully serviced motor vehicle through an effective salary sacrifice arrangement.
6 Mr Magrini - relates to the provision of a laptop computer through an effective salary sacrifice arrangement.
7 Mr Grant-Foster - relates to superannuation contributuons through an effective salary sacrifice arrangement.

(C) CASH BONUSES PAID AS COMPENSATION

(c) Cash Bonuses

	Payment Date	Bonus Value	Reason for Bonus	Percentage Paid during Year	Percentage Forfeited during Year	Percentage Remaining as Unvested
		$		%	%	%
Mr B P Reichel	6/12/2011	17,500	(a)	100	-	-
	9/01/2010	25,000	(a)	25	75	-
Mr G J Kean	15/02/2012	10,000	(a)	100	-	-
	18/01/2011	15,000	(a)	80	20	-

(a) Cash bonuses were awarded as part of the employment contracts of above listed Key Management Personnel. Such persons were deemed to have satisfied some or all of the prerequisites for the receipt of their awards, being specified KPI measures.

(D) 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	-	-	Refer Table 1 for further details about Series B			
Mr C R Grant-Foster		-	-	-	-	-	-	-
Specified Executives								
Mr R G Nugara	2008 Series B	Refer Table 1	-	-	Refer Table 1 for further details about Series B			
Mr G J Kean	2008 Series B	Refer Table 1	-	-	Refer Table 1 for further details about Series B			
Mr F R Magrini	2008 Series B	Refer Table 1	-	-	Refer Table 1 for further details about Series B			
			-	-				

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 excercise 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. The full value for all Series A options therefore were included as Options Granted as Compensation in 2009 financial year.
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 that year, commencing 1 July 2008. These options vest two years after each grant date. Accordingly, there were no Options Granted as Compensation in FY12.
Series A and B options expire two years after each vesting date. Series A options expired on 30 June 2011, with none of these options having been exercised. Series B options commenced expiring from 1 July 2012.

Table 1 Series B Options

Grant Date	Exercise Price $	First Exercise Date	Last Exercise Date	Percentage vested at 30.06.2012	Grant Date	Exercise Price $	First Exercise Date	Last Exercise Date	Percentage vested at 30.06.2012
1/07/2008	0.072	1/07/2010	1/07/2012	100.0%	1/01/2009	0.034	1/01/2011	1/01/2013	100.0%
1/08/2008	0.066	1/08/2010	1/08/2012	100.0%	1/02/2009	0.029	1/02/2011	1/02/2013	100.0%
1/09/2008	0.060	1/09/2010	1/09/2012	100.0%	1/03/2009	0.025	1/03/2011	1/03/2013	100.0%
1/10/2008	0.033	1/10/2010	1/10/2012	100.0%	1/04/2009	0.020	1/04/2011	1/04/2013	100.0%
1/11/2008	0.038	1/11/2010	1/11/2012	100.0%	1/05/2009	0.018	1/05/2011	1/05/2013	100.0%
1/12/2008	0.037	1/12/2010	1/12/2012	100.0%	1/06/2009	0.021	1/06/2011	1/06/2013	100.0%

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.

EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES

The employment conditions of specified executives are formalised in contracts of employment. 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

As at the date of this report 17,192,840 options over unissued ordinary shares were on issue. During the year ended 30 June 2012, there were no shares of the Company issued on the exercise of options granted under the Company's Option Plan. 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 of 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 2012: Taxation services - $13,000 (2011: $15,037).

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2012 in accordance with s307C of the Corporations Act has been received and can be found on page 14.

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

S. J. McGregor

Mr. S. McGregor Dated 26 September 2012
Director

William Buck

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 2012 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

William Buck
Chartered Accountants
ABN 16 021 300 521

Leo Tutt

L.E. Tutt
Partner
Sydney, 26th September, 2012

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Level 29, 66 Goulburn Street, Sydney NSW 2000
Telephone: +61 2 8263 4000 • Facsimile: +61 2 8263 4111
williambuck.com

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Economic Entity 2012 $	Economic Entity 2011 $
Revenue	2	1,362,416	1,595,288
Employee benefits expense		(1,628,347)	(1,517,769)
Depreciation and amortisation	3	(20,420)	(28,071)
Professional and consulting fees		(242,057)	(191,848)
Licence fees		-	(284,155)
Marketing & promotions		(222,467)	(69,727)
Telecommunications and hosting		(429,799)	(423,043)
Administration expenses		(44,293)	(56,695)
Other expenses from ordinary activities	3	(252,024)	(249,837)
Loss before tax		(1,476,991)	(1,225,857)
Income tax expense	4	(12,682)	(10,629)
R&D tax offset	4	202,016	207,289
Net Loss attributable to members of the Parent		(1,287,657)	(1,029,197)
Other comprehensive income/(loss)		-	-
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT		(1,287,657)	(1,029,197)
Basic loss per share (cents per share)	6	(0.55)	(0.51)
Diluted loss per share (cents per share)	6	(0.55)	(0.51)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2012

	Note	Economic Entity 2012 $	Economic Entity 2011 $
CURRENT ASSETS			
Cash and cash equivalents	7	426,328	234,588
Trade and other receivables	8	127,871	137,384
Other financial assets	9	401,184	-
Other assets	11	36,442	38,794
TOTAL CURRENT ASSETS		991,825	410,766
NON-CURRENT ASSETS			
Plant and equipment	10	5,572	24,336
TOTAL NON-CURRENT ASSETS		5,572	24,336
TOTAL ASSETS		997,397	435,102
CURRENT LIABILITIES			
Trade and other payables	12	218,693	150,243
Provisions	13	168,139	220,031
TOTAL CURRENT LIABILITIES		386,832	370,274
NON-CURRENT LIABILITIES			
Provisions	13	38,073	41,600
TOTAL NON-CURRENT LIABILITIES		38,073	41,600
TOTAL LIABILITIES		424,905	411,874
NET ASSETS		572,492	23,228
EQUITY			
Contributed equity	14	50,580,663	48,743,742
Reserves	15	47,456	51,000
Accumulated losses		(50,055,627)	(48,771,514)
TOTAL EQUITY		572,492	23,228

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Note	Contributed Equity $	Unissued Shares Reserve $	Retained Profits $	Share Issue Expense Reserve $	Employee Options Reserve $	Total $
Economic Entity							
Balance at 1 July 2010		**56,142,801**	**-**	**(47,780,948)**	**(7,922,366)**	**81,402**	**520,889**
Transactions with owners in their capacity as owners:							
Shares issued during the year		565,039	-	-	-	-	565,039
Share issue expense		-	-	-	(41,732)	-	(41,732)
Employee share options issued		-	-	-	-	8,229	8,229
Employee share options lapsed/cancelled		-	-	38,632	-	(38,632)	-
Loss attributable to members of parent entity		-	-	(1,029,197)	-	-	(1,029,197)
Balance at 30 June 2011		**56,707,840**	**-**	**(48,771,514)**	**(7,964,098)**	**51,000**	**23,228**
Balance at 1 July 2011		**56,707,840**	**-**	**(48,771,514)**	**(7,964,098)**	**51,000**	**23,228**
Transactions with owners in their capacity as owners:							
Shares issued during the year		1,282,500	-	-	-	-	1,282,500
Shares reserved for issue		-	701,184	-	-	-	701,184
Share issue expense		-	-	-	(146,763)	-	(146,763)
Employee share options lapsed/cancelled		-	-	3,544	-	(3,544)	-
Loss attributable to members of parent entity		-	-	(1,287,657)	-	-	(1,287,657)
Balance at 30 June 2012		**57,990,340**	**701,184**	**(50,055,627)**	**(8,110,861)**	**47,456**	**572,492**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Economic Entity	
		2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,462,331	1,679,954
Payments to suppliers and employees		(2,754,870)	(2,738,173)
Interest received		14,471	29,175
Net cash used in operating activities	19	(1,278,068)	(1,029,044)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(949)	(6,894)
Net cash used in investing activities		(949)	(6,894)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		1,564,987	565,039
Payment of share issue expense		(94,230)	(37,094)
Net cash provided by financing activities		1,470,757	527,945
Net increase / (decrease) in cash & cash equivalents held		191,740	(507,993)
Cash & cash equivalents at the beginning of the year		234,588	742,581
Cash & cash equivalents at the end of the year	7	426,328	234,588

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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'). Two Way Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements of Two Way Limited and controlled entities 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 26 September 2012.

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 18 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 consistency 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 taxable 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.

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. In relation to other financial assets, refer note 9.

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 2012 or 30 June 2011;
- available-for-sale financial assets; and
- held-to-maturity investments – none of these assets held at 30 June 2012 or 30 June 2011.

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.

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.
Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

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 incurred. 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.

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 2012 the economic entity has incurred a comprehensive loss of $1,287,657 (2011: loss of $1,029,197). Net cash outflows from operating activities were $1,278,068 (2011: $1,029,044); and current cash at bank and on hand as at 30 June 2012 is $426,328 (2011: $234,588). These factors indicate 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; and have actively pursued this course of action since the end of the reporting period. This has culminated in the recent announcement on 18 September 2012, of a Merger Implementation Deed with Donaco Singapore Pte Ltd ("Donaco"), in which Donaco will sell its 75% share in the Lao Cai International Hotel to the Company in return for Two Way shares. The strategic rationale is to create a cash-flow positive and profitable ASX-listed entity to pursue gaming and wagering opportunities, particularly in Asia. This will involve exploring combining Two Way's expertise in online and interactive gambling, with Donaco's casino management expertise, to offer online casino gaming in territories where it is legal to do so. As part of the above transaction, Two Way has conducted a capital raising by way of a placement to professional and sophisticated investors, of 16,666,667 shares at an issue price of 1.5 cents, to raise $250,000.

The Directors have prepared the financial statements on a going concern basis given the following:

- The proposed merger, and share placement noted above;
- Continued growth of the Company's Way2Bet online and mobile portal;
- Lower ongoing staff costs as a result of a management restructure in January 2012, and further changes in July 2012; reinforced by a continued focus on minimising discretionary spend; and
- New development projects involving IPTV technologies, as exemplified by successful partnerships with Samsung, LG and major online bookmakers.

Notwithstanding the 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. *New Standards and Interpretations not yet adopted*

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing this financial report. A discussion of the future requirements and their impact on the Group are outlined below:

- *AASB 9: Financial Instruments, 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], AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8] (applicable for annual reporting periods commencing on or after 1 January 2015)*. These standards are applicable retrospectively and amend the classification and measurement of financial assets. The changes also incorporate the classification and measurement requirements for financial liabilities, and the recognition and derecognition requirements for financial instruments. The Group has not yet determined the potential impact on the financial statements.
- *AASB 10: Consolidation* (applicable for annual reporting periods commencing on or after 1 January 2013) This standard supersedes AASB 127 and establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The Group has not yet assessed the impact of this Standard.
- *AASB 12 Disclosure of Interests in Other Entities (applicable for annual reporting periods commencing on or after 1 January 2013).* AASB 12 provides the disclosure requirements for entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. As such, it consolidates and replaces disclosure requirements contained in many existing Standards. The Group has not yet assessed the impact of this Standard.
- *AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Hoint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).* This Standard gives effect to many consequential changes arising from the issuance of AASB 10 *Consolidation*, AASB 11 *Joint Arrangements* and AASB 12 *Disclosure of Interests in other Entities*, and accordingly, the Group has not yet assessed the impact of this Standard.
- *AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]* (applicable for annual reporting periods commencing on or after 1 July 2013). This standard removes all the individual key management personnel disclosures contained in Aus paragraphs 29.1 to 29.9.3 of AASB 124. The changes apply to each disclosing entity, or group of which a disclosing entity is the parent that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act for their first annual reporting period beginning on or after 1 July 2013. This standard is not available for early adoption.

	Note	Economic Entity	
		2012 $	2011 $

NOTE 2: REVENUE

Revenue from operating activities: service revenue		1,349,238	1,567,651
Revenue from non-operating activities: interest – other persons		13,178	27,637
Total revenue		1,362,416	1,595,288

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		20,420	28,071
		20,420	28,071
(b) Other expenses from ordinary activities			
Rental expenses on operating lease – minimum lease payments		89,959	88,042
Travel costs		32,896	25,991
Foreign currency translation (gain)/loss		1,365	1,444
Accounting and other services		17,040	19,187
Audit fees		40,550	39,000
Listing, registry and filing fees		45,853	40,119
Other		24,361	36,054
		252,024	249,837

	Note	Economic Entity 2012 $	Economic Entity 2011 $

NOTE 4: INCOME TAX EXPENSE

Prima facie income tax / (benefit) calculated on the operating loss [1]		(443,097)	(367,757)
Add tax effect of:			
Share-based payments		(1,063)	(9,121)
Other non-deductible items		(17,170)	(17,532)
Add deferred tax asset not brought to account [2]		474,012	405,039
Income tax expense [3]		12,682	10,629

1: The prima facie income tax rate of the economic entity, including the parent entity is 30% (2011: 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.

R&D Tax Offset - The Company applied for and successfully claimed a tax offset for R&D expenditure incurred in the FY11 financial year. The tax offset is effectively a cash refund available to small companies who have incurred eligible R&D expenditure in the previous financial year. The tax offset received in November 2011 for the FY11 financial year was $202,016.

NOTE 5: AUDITOR'S REMUNERATION

Remuneration of the auditor of the parent entity & subsidiaries - William Buck NSW			
Auditing or reviewing of the financial accounts		40,550	39,000
Taxation services		13,000	15,037
		53,550	54,037

NOTE 6: LOSS PER SHARE

Net (Loss) used in the calculation of basic EPS		(1,287,657)	(1,029,197)
Net (Loss) used in the calculation of diluted EPS		(1,287,657)	(1,029,197)
		Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		236,242,942	202,296,202
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS		236,242,942	202,292,202

Classification of Securities

The ownership-based remuneration scheme with 1,257,120 options remaining unconverted at year-end is not included in the calculation of basic or diluted EPS as they are anti-dilutive (ie out of the money) as at the end of the reporting period *(refer to Note 22).*

	Note	Economic Entity 2012 $	2011 $
NOTE 7: CASH AND CASH EQUIVALENTS			
Cash on hand and at bank		426,328	234,588

The above amount reconciles to Cash and Cash Equivalents at end of the financial year, as shown in the Statement of Cash Flows.

		2012 $	2011 $
NOTE 8: TRADE AND OTHER RECEIVABLES			
CURRENT			
Trade debtors		127,511	136,274
Other debtors			
Interest receivable		360	1,110
Total current receivables		**127,871**	**137,384**

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 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 24 for more information on the risk management policy of the Group.

		2012 $	2011 $
NOTE 9: OTHER FINANCIAL ASSETS			
CURRENT			
Unlisted investments at fair value:			
Shares in other corporations		401,184	-
Total available-for-sale investments at fair value		**401,184**	**-**

As originally announced to the market on 15th December 2011, the Company had entered into a binding share subscription agreement with Priority One Network Group Limited ("PON"). The terms of that agreement were that PON had agreed to subscribe for and Two Way had agreed to issue a total of 35,029,614 fully paid ordinary shares (15% of Two Way's issued capital) to PON, at an agreed price of 4 cents per share. In return, PON will pay to Two Way total consideration of $1,401,184, made up of $1 million in cash, and a total of 1,337,281 shares in PON ($401,184). The PON shares are to be issued at 30 cents per share, a price which is supported by the independent valuation report obtained by PON, and which is the expected listing price of PON shares on the ASX. There is no evidence to suggest the fair value has changed since the valuation 6 months ago.

The agreement was to be concluded by the 28th February 2012 with all remaining payments and shares issued, however PON had been unable to fulfil their obligations in short because of a delay in their listing process.
Consequently, Two Way issued a further announcement on 12 March 2012, advising that the two companies had agreed new terms which required an immediate payment of $150,000 in cash by PON, which was duly received, and the balance of $700,000 in cash on completion of successful listing.

To date Two Way has received $300,000 in cash, and has been issued with 1,337,281 PON shares, valued at $401,184 and classified as other financial assets. No Two Way shares will be issued to PON until all payments are received. The *Statement of Changes in Equity* reflects the partial share subscription of $701,184.

PON has informed Two Way that it currently expects to complete its listing on the ASX in the next few months.

	Note	Economic Entity	
		2012 $	2011 $

NOTE 10: PLANT AND EQUIPMENT

At cost	120,318	191,388
Accumulated depreciation	(114,746)	(167,052)
	5,572	24,336
Movements in carrying amounts		
Balance at beginning of year	24,336	46,139
Additions	1,656	6,268
Disposals	-	-
Depreciation expense	(20,420)	(28,071)
Carrying amount at the end of the year	5,572	24,336

NOTE 11: OTHER ASSETS

CURRENT		
Bonds and security deposits	18,012	18,012
Prepayments	18,430	20,782
	36,442	38,794

NOTE 12: TRADE AND OTHER PAYABLES

CURRENT		
Trade creditors	74,585	46,335
Sundry creditors and accrued expenses	144,108	103,908
	218,693	150,243

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 - annual leave	109,279	170,891
Employee benefits - long service leave	58,860	49,140
Total Employee benefits	168,139	220,031
NON-CURRENT		
Employee benefits – long service leave	38,073	41,600

NOTE 14: CONTRIBUTED EQUITY

	Number
At the beginning of the previous reporting period	191,086,373
Fully paid ordinary shares issued during the previous year:	
17 November 2011 – issue price: 3 cents per share, funds raised $400,000	13,333,333
17 December 2011 – issue price: 3 cents per share, funds raised $165,039	5,501,298
At the beginning of the reporting period	209,921,004
Fully paid ordinary shares issued during the year:	
2 August 2011 – issue price: 3 cents per share, funds raised $315,000	10,500,000
27 September 2011 – issue price: 2 cents per share, funds raised $250,000	12,500,000
6 December 2011 – issue price: 2.87 cents per share, funds raised $17,500	609,756
17 January 2012 – issue price: 2 cents per share, funds raised $200,000	10,000,000
1 March 2012 – issue price: 2 cents per share, funds raised $100,000	5,000,000
17 May 2012 – issue price: 2 cents per share, funds raised $100,000	5,000,000
29 June 2012 – issue price: 2 cents per share, funds raised $300,000	15,000,000
At the end of the reporting period	**268,530,760**

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.

c. *Unissued Shares Reserve* – records shares yet to be issued to Priority One Network Group Limited, pending that company's full payment of its share subscription. Refer Note 9 for further information.

	Note	Economic Entity 2012 $	Economic Entity 2011 $

NOTE 16: OPERATING LEASE COMMITMENTS

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

	2012 $	2011 $
Payable:		
- not later than 1 year	87,128	84,319
- later than 1 year but not later than 5 years	2,167	87,134
- later than 5 years	-	-
	89,295	171,453

As reported in the 2010 Annual Report, the Company exercised its option to renew its initial office lease (which was to expire on 15 July 2010) 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 & New Zealand. 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		Carrying Amount of Segment Liabilities	
Product	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
TV wagering	871,457	994,229	-	-	-	-	-	-
Odds comparisons	314,078	262,959	-	-	-	-	-	-
Games – New Zealand	155,250	185,008	-	-	-	-	-	-
Interest	13,177	27,637	-	-	-	-	-	-
Other revenue	8,454	125,455	-	-	-	-	-	-
Unallocated	-	-	(1,287,657)	(1,029,197)	997,397	435,102	424,905	411,874
	1,362,416	1,595,288	(1,287,657)	(1,029,197)	997,397	435,102	424,905	411,874

Non-current assets acquired during the year totalled $1,656 (2011: $6,268). These could not be accurately allocated to any of the product categories.

Major Customers

The Group has a number of customers to whom it provides products and services. The Group supplies a single external customer who in 2012 accounted for 62% of external revenue (2011: 62%).

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 18: CONTROLLED ENTITIES

	Country of Incorporation	Percentage owned (%) 2012	Percentage owned (%) 2011
Parent entity:			
Two Way Limited	Australia	-	-
Subsidiaries of Two Way Limited:			
Two Way TV Operations Pty Ltd	Australia	100%	100%
Way2Bet Pty Ltd	Australia	90%	90%

NOTE 19: CASH FLOW INFORMATION

	Note	Economic Entity 2012 $	Economic Entity 2011 $
Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax			
Loss from ordinary activities after income tax		(1,287,657)	(1,029,197)
Non-cash flows in loss from ordinary activities			
Depreciation & amortisation		20,420	28,071
Foreign exchange loss		1,365	1,444
Share options expense		-	8,228
Change in assets and liabilities			
(Increase) / decrease in receivables		9,514	23,175
(Increase) / decrease other assets		2,351	14,959
Increase / (decrease) in trade creditors & accruals (net of financing activities)		31,359	(99,148)
Increase / (decrease) in provisions		(55,420)	23,424
Cash Flow from Operations		(1,278,068)	(1,029,044)

NOTE 20: PARENT ENTITY DISCLOSURES

The following information has been extracted from the books and records of the parent company of the Group, Two Way Limited, and has been prepared in accordance with Accounting Standards.

	Note	Parent Entity 2012 $	Parent Entity 2011 $
Results for the Parent Entity			
(Loss) for the year		(1,674,360)	(1,053,897)
Other comprehensive income/(loss)		-	-
Total Comprehensive Loss for the Year		(1,674,360)	(1,053,897)
Current Assets		995,136	404,037
Total Assets		1,000,798	428,464
Current Liabilities		400,316	562,352
Total Liabilities		656,820	603,952
Total Equity of the Parent Entity			
Contributed equity		50,580,653	48,743,733
Reserves		47,455	51,000
Accumulated losses		(50,284,130)	(48,970,221)
Total Equity		(343,978)	(175,488)

Parent Entity Contingencies

The Directors are of the opinion that no provisions are required in respect of parent entity contingencies.

Guarantees

The Company has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contractual Commitments

At 30 June 2012, the Company has not entered into any contractual commitments for the acquisition of property, plant and equipment (2011: Nil).

NOTE 21: 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.

	2012 $	2011 $
Annual Report production costs Paid to a company of which Mr C R Grant-Foster is a director.	4,500	4,651
Marketing consultancy services for the period July 2011 to January 2012, provided by Mr C R Grant-Foster, and paid to a company of which Mr C R Grant-Foster is a director.	43,600	-
Legal consultancy services during the month of June 2012 provided by Mr B P Reichel and paid directly to him.	8,195	-

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 2012.

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

	2012 $	2011 $
Key Management Personnel:		
Short-term employee benefits	882,110	937,238
Post-employment benefits	129,462	122,822
Other long-term benefits	-	-
Termination benefits	180,161	-
Share-based payments	17,500	2,275
	1,209,233	1,062,335

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	-	-	Refer Table 1 for further details about Series B			
Mr C R Grant-Foster		-	-	-	-	-	-	-
Specified Executives								
Mr R G Nugara	2008 Series B	Refer Table 1	-	-	Refer Table 1 for further details about Series B			
Mr G J Kean	2008 Series B	Refer Table 1	-	-	Refer Table 1 for further details about Series B			
Mr F R Magrini	2008 Series B	Refer Table 1	-	-	Refer Table 1 for further details about Series B			
			-	-				

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 excercise 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. The

full value for all Series A options therefore were included as Options Granted as Compensation in 2009 financial year.
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 that year,
commencing 1 July 2008. These options vest two years after each grant date. Accordingly, there were no Options Granted as Compensation in FY12.
Series A and B options expire two years after each vesting date. Series A options expired on 30 June 2011, with none of these options having been exercised. Series B
options commenced expiring from 1 July 2012.

Table 1 Series B Options

Grant Date	Exercise Price $	First Exercise Date	Last Exercise Date	Percentage vested at 30.06.2012	Grant Date	Exercise Price $	First Exercise Date	Last Exercise Date	Percentage vested at 30.06.2012
1/07/2008	0.072	1/07/2010	1/07/2012	100.0%	1/01/2009	0.034	1/01/2011	1/01/2013	100.0%
1/08/2008	0.066	1/08/2010	1/08/2012	100.0%	1/02/2009	0.029	1/02/2011	1/02/2013	100.0%
1/09/2008	0.060	1/09/2010	1/09/2012	100.0%	1/03/2009	0.025	1/03/2011	1/03/2013	100.0%
1/10/2008	0.033	1/10/2010	1/10/2012	100.0%	1/04/2009	0.020	1/04/2011	1/04/2013	100.0%
1/11/2008	0.038	1/11/2010	1/11/2012	100.0%	1/05/2009	0.018	1/05/2011	1/05/2013	100.0%
1/12/2008	0.037	1/12/2010	1/12/2012	100.0%	1/06/2009	0.021	1/06/2011	1/06/2013	100.0%

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

	Balance 01.07.11	Granted as Compen-sation	Options Exercised	Options Cancelled or Lapsed	Net Change Other	Balance 30.06.12	Total Vested 30.06.12	Total Exercisable 30.06.12	Total Un-exercisable 30.06.12
2012									
Specified Directors									
Mr S J McGregor	-	-	-	-	-	-	-	-	-
Mr B P Reichel	360,000	-	-	-	-	360,000	360,000	360,000	-
Mr C R Grant-Foster	-	-	-	-	-	-	-	-	-
Specified Executives									
Mr R G Nugara	165,600	-	-	-	-	165,600	165,600	165,600	-
Mr G J Kean	259,200	-	-	-	-	259,200	259,200	259,200	-
Mr F R Magrini	216,000	-	-	-	-	216,000	216,000	216,000	-
Total	1,000,800	-	-	-	-	1,000,800	1,000,800	1,000,800	-
2011									
Specified Directors									
Mr S J McGregor	-	-	-	-	-	-	-	-	-
Mr B P Reichel	500,000	-	-	(140,000)	-	360,000	360,000	360,000	-
Mr C R Grant-Foster	-	-	-	-	-	-	-	-	-
Specified Executives									
Mr R G Nugara	230,000	-	-	(64,400)	-	165,600	165,600	165,600	-
Mr G J Kean	360,000	-	-	(100,800)	-	259,200	259,200	259,200	-
Mr F R Magrini	300,000	-	-	(84,000)	-	216,000	216,000	216,000	-
Total	1,390,000	-	-	(389,200)	-	1,000,800	1,000,800	1,000,800	-

Shareholdings

Number of Shares held by Key Management Personnel

	Balance 01.07.11	Received as Compensation	Options Exercised	Net Change Other [1]	Balance 30.06.12
ecified Directors					
L2					
Mr S J McGregor	1,396,667	-	-	139,666	1,536,333
Mr B P Reichel	1,585,752	-	-	768,331	2,354,083
Mr C R Grant-Foster	602,886	-	-	-	602,886
Mr G N Tan [2]	-	-	-	26,250,000	26,250,000
Total	3,585,305	-	-	27,157,997	30,743,302
L1					
Mr S J McGregor	1,130,000	-	-	266,667	1,396,667
Mr B P Reichel	1,252,419	-	-	333,333	1,585,752
Mr C R Grant-Foster	602,886	-	-	-	602,886
Total	2,985,305	-	-	600,000	3,585,305

Net change other refers to shares purchased, sold and transferred as well as share entitlements exercised. Shareholdings include those held directly, indirectly or beneficially by each key management personnel, including their personally-related entities.

Certain shareholdings are held directly by Mr Tan, whilst others are held by Main Ace Investment Limited, an entity of which Mr Tan is a director.

No Specified Executives held shares in the Company in either 2012 or 2011.

EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES

The employment conditions of specified executives are formalised in contracts of employment. 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 22: SHARE-BASED PAYMENTS

Employee Remuneration Options

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 vested two years after each grant date. Series A options expired on 30 June 2011 and B options expire two years after each vesting date. Series B options commenced expiring from 1 July 2012.

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

				Economic Entity	
Grant Date	Exercise / Vesting Date	Expiry Date	Exercise Price	30.06.12 No.	30.06.11 No.
Series B					
01.07.08	01.07.10	01.07.12	$0.072	104,760	113,400
01.08.08	01.08.10	01.08.12	$0.066	104,760	113,400
01.09.08	01.09.10	01.09.12	$0.060	104,760	113,400
01.10.08	01.10.10	01.10.12	$0.033	104,760	105,600
01.11.08	01.11.10	01.11.12	$0.038	104,760	105,600
01.12.08	01.12.10	01.12.12	$0.037	104,760	105,600
01.01.09	01.01.11	01.01.13	$0.034	104,760	105,600
01.02.09	01.02.11	01.02.13	$0.029	104,760	105,600
01.03.09	01.03.11	01.03.13	$0.025	104,760	104,760
01.04.09	01.04.11	01.04.13	$0.020	104,760	104,760
01.05.09	01.05.11	01.05.13	$0.018	104,760	104,760
01.06.09	01.06.11	01.06.13	$0.021	104,760	104,760
				1,257,120	1,287,240

Unvested options issued to two employees who left the Company during the year, were cancelled.

Movement in share options

	Number
Options outstanding at 30 June 2010	**1,890,000**
Granted	-
Exercised	-
Lapsed or cancelled	(602,760)
Options outstanding at 30 June 2011	**1,287,240**
Granted	-
Exercised	-
Lapsed or cancelled	(30,120)
Options outstanding at 30 June 2012	**1,257,120**
Options exercisable at 30 June 2012:	1,257,120
Options exercisable at 30 June 2011:	**1,287,240**

The weighted average remaining contractual life of the options outstanding at 30 June 2012 is 0.46 years.

NOTE 23: 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 24: 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; 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. Due to the relatively small size of the Group's cash balance, fluctuations are not expected to have a significant impact. As at 30 June 2012, 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	
	2012 %	2011 %	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
Financial Assets								
Cash and cash equivalents	4.73	5.13	426,328	234,588	-	-	426,328	234,588
Receivables	-	-	-	-	127,871	137,385	127,871	137,385
Total financial asset			426,328	234,588	127,871	137,385	554,199	371,973
Financial Liabilities								
Trade and sundry creditors	-	-	-	-	218,693	150,243	218,693	150,243
Total financial liabilities	-	-	-	-	218,693	150,243	218,693	150,243

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 Note1o).

(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 25: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 19 July 2012, the Company announced the departure of its Chief Executive Officer, Mr Chris Grant-Foster. In the short term, the Board will play an active role in ensuring that the Company continues to manage and develop its business opportunities.

On 18 September 2012, the Company announced it had signed a Merger Implementation Deed with Donaco Singapore Pte Ltd ("Donaco"), for the sale by Donaco of its 75% share in Lao Cai International Hotel (a hotel and entertainment complex on the Vietnam/China border) to Two Way, in return for Two Way shares. This followed the initial announcement on 24 August 2012, that the Company had signed a non-binding Heads of Agreement with Donaco. The purpose of the transaction is to create a cash-flow positive and profitable ASX-listed entity to pursue gaming and wagering opportunities, particularly in Asia. The transaction is subject to due diligence currently being performed by both parties on each other, and is also subject to approval by Two Way's shareholders. If the transaction is approved by shareholders, Two Way will grant one free option to its shareholders for every two shares held at the time of approval, at an exercise price of $0.015. A consolidation of the expanded capital base is also planned.

Directors' Declaration

The Directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 15 to 36 are in accordance with the Corporations Act 2001; and
   a) comply with Accounting Standards, which, as stated in the accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Company and Economic Entity;
2. The Directors of the Company and Chief Financial Officer 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 12 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 26 September 2012.

S.J. McGregor

Mr Stuart McGregor
Chairman

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

Report on the Financial Report

We have audited the accompanying consolidated financial report of Two Way Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year (the Consolidated Entity). The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives and true and fair view 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TWO WAY LIMITED AND CONTROLLED ENTITIES (CONT)

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 Two Way Limited 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 2012 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial report, which indicates that the consolidated entity incurred a net loss of $1,287,657 (2011: loss $1,029,197) and had net cash outflows from operating activities of $1,278,068 (2011: $1,029,044) during the year ended 30 June 2012, and that the ability of the consolidated entity to continue as a going concern is dependent upon the consolidated entity successfully completing the Merger Implementation Deed with Donaco Singapore Pte Ltd ("Donaco"), in which Donaco will sell its 75% share in the Lao Cai International Hotel to the consolidated entity in return for Two Way Limited shares.

These conditions, along with the other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability 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 12 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the Corporations Act 2001.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TWO WAY LIMITED AND CONTROLLED ENTITIES (CONT)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Two Way Limited for the year ended 30 June 2012 included on Two Way Limited's web site. The company's directors are responsible for the integrity of the Two Way Limited web site. We have not been engaged to report on the integrity of the Two Way Limited web site. The auditor's report refers only to the financial 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

William Buck
Chartered Accountants
ABN 16 021 300 521

L.E. Tutt
Partner
Sydney, 26th September, 2012

SHAREHOLDER INFORMATION

TOP TWENTY SHAREHOLDERS

At 31 August 2012 the top 20 registered shareholders held 142,967,414 shares in the Company, equivalent to 53.241% 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	Main Ace Investment Limited	20,000,000	7.448
2	Ebanc Com Pty Ltd, Ward Family A/C	17,700,001	6.591
3	HSBC Custody Nominees (Aust) Ltd	15,685,327	5.841
4	GFI Investments Pty Ltd Ward Super Fund A/C	13,028,685	4.852
5	Tiger Domains Pty Ltd (Tiger Domains Unit Trust)	12,889,000	4.800
6	Mr Samuel Hewlings Chisholm	6,674,580	2.486
7	Mr Gerald Nicholas Eng Hoe Tan	6,250,000	2.327
8	Tamily Pty Ltd (Joske Superfund A/C)	5,100,000	1.899
9	Glenluce Properties Pty Ltd Glenluce Prop SFund A/C	4,778,200	1.779
10	Mr John William Murray	4,728,272	1.765
11	Screecree Pty Ltd Booran Directors S/F A/C	4,660,322	1.735
12	Target Range Pty Ltd	4,437,834	1.653
13	Colin Bell Pty Ltd C/- Portfolio Admin	4,433,877	1.651
14	Regency Developments (WA) Pty Ltd	3,150,000	1.173
15	Chee Chiang Tee	3,125,000	1.164
16	Appwam Pty Ltd	3,000,000	1.117
17	Mr Sivanandam Narayanasamy	3,000,000	1.117
18	Mr Lionel McFadyen & Mrs Jennifer June McFadyen McFadyen Super Fund A/C	2,749,583	1.024
19	Whyte Superannuation Custodian Pty Ltd <Warneet Management PL SF A/C> Attn: Timothy Harrison	2,566,733	0.956
=20	Sunlora Pty Ltd The Three Fish S/F A/C	2,500,000	0.931
=20	Mr Dennis Loh	2,500,000	0.931

SUBSTANTIAL SHAREHOLDERS

At 31 August 2012 there was two 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	30,728,686
Mr Gerald Nicholas Eng Hoe Tan	26,250,000

DISTRIBUTION OF SHAREHOLDINGS / UNMARKETABLE PARCELS

Range of Shares

Range	Total Holders	Units	% Issued Capital
1 – 1,000	33	10,143	0.004
1,001 – 5,000	67	220,191	0.082
5,001 – 10,000	53	464,445	0.173
10,001 – 100,000	254	10,520,950	3.918
100,001 – 9,999,999,999	223	257,315,031	95.823
Rounding			0.00
Total	**603**	**220,421,004**	**100.000**

UNMARKETABLE PARCELS

	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $0.01 per unit	50,000.00	375	4,778,972

ISSUED SECURITIES

At 31 August 2012 the following securities were issued:

- 268,530,760 fully paid ordinary shares (the only quoted securities), held by 630 holders;
- 1,047,600 employee remuneration options (which are not quoted), held by 6 holders;
- 16,250,000 options with an exercise price of 2.8 cents (which are not quoted) held by Main Ace Investment Limited.

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
Pyrmont NSW 2009

Principal Place of Business:
Suite 2.05
55 Miller St
Pyrmont NSW 2009

Company Secretary:
Mr Rointon Nugara

Share Registry:
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

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

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