

# **TW Holdings Limited**

**ACN 008 095 207**

ANNUAL FINANCIAL REPORT  
for the year ended  
30 JUNE 2016

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## COMPANY INFORMATION

### DIRECTORS

Mr David Wheeler  
*(Non-Executive Chairman)*

Mr Nicholas Calder  
*(Non-Executive Director)*

Mr Simon Taylor  
*(Non-Executive Director)*

### COMPANY SECRETARY

Mr Nicholas Calder

### REGISTERED OFFICE

Level 3, 18 Richardson Street  
West Perth WA 6005

### ASX CODE

TWH

### AUDITORS

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

### STOCK EXCHANGE

Australian Securities Exchange Ltd

### HOME EXCHANGE

Adelaide

### SHARE REGISTRY

Computershare Investor Services Pty Ltd  
Level 5  
115 Grenfell Street  
ADELAIDE SA 5000

## DIRECTORS' REPORT

Your directors present their report on TW Holdings Limited ("the Company") for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### DIRECTORS

The following persons were directors of TW Holdings Limited during or since the end of the financial year and up to the date of this report unless otherwise stated:

David Wheeler, Non-Executive Chairman

Nicholas Calder, Non-Executive Director

Simon Taylor, Non-Executive Director

### INFORMATION ON DIRECTORS AND COMPANY SECRETARY

#### Mr David Wheeler (Non-Executive Chairman)

Mr Wheeler has more than 30 years executive management experience through general management, CEO and managing director roles across a range of companies and industries. He has worked on business projects in the USA, UK, Europe, New Zealand, China, Malaysia and the Middle East. He has been a Fellow of the Australian Institute of Company Directors (FAICD) since 1990.

Directorships of listed entities in the past 3 years: OZ Brewing Limited (ASX: OZB)

#### Mr Nicholas Calder (Non-Executive Director and Company Secretary)

Mr Calder is a chartered accountant and registered company auditor. He was a partner of PKF Mack & Co from 2006 to 2012 before commencing NK Advisory, which provides corporate, strategic and company secretarial services to a number of oil and gas, mining and manufacturing companies based in Perth, Western Australia. He graduated from the University of Western Australia with a Bachelor of Commerce degree.

Directorships of listed entities in the past 3 years: Nil.

#### Mr Simon Taylor (Non-Executive Director)

Mr Taylor is a geologist with over 25 years' experience in exploration, project assessment and development in the resources sector. He has had a diversified career as a resources professional, providing services to resource companies and financial corporations at both a technical and corporate level. Mr Talyor's experience has been predominantly overseas but has also covered projects in Australia. He is a member of the Australian Institute of Geoscientists and a graduate of Sydney University.

Directorships of listed entities in the past 3 years: Chesser Resources Limited (ASX: CHZ), Oklo Resources Limited (ASX: OKU), King Solomon Mines Limited (ASX: KSO) and Agua Resources Limited (ASX: AGR).

### DIRECTORS' INTERESTS

The interests of directors in securities of the company at the date of this report are:

Director	Ordinary Shares	Options
D Wheeler	-	-
N Calder	-	-
S Taylor	-	-

## **DIRECTORS' REPORT** *(continued)*

### **PRINCIPAL ACTIVITIES**

During the financial year the Company continued to evaluate investment opportunities and identify potential acquisition targets. As announced to ASX on 9 May 2016, the Company has entered into a binding agreement to effect the acquisition of AusCann Group Holdings Ltd (AusCann). Drafting of transaction documentation is progressing well with a draft notice of meeting submitted for ASX review on 22 July 2016 and prospectus drafting well-advanced. The general meeting of shareholders to be convened for the purpose of approving the acquisition of AusCann and related matters is scheduled to be held in the second half of September 2016.

There were no significant changes in the nature of the Company's principal activities during the year.

### **REVIEW AND RESULTS OF OPERATIONS**

#### ***Proposed Acquisition of AusCann***

On 17 March 2016, the Company announced that it had entered into a non-binding heads of agreement to acquire medical cannabis company AusCann Group Holdings Limited ("AusCann"). On 9 May 2016, the Company announced it had entered into a binding agreement to effect the same transaction.

AusCann was established in 2014 to bring world's best practice into Australia for the cultivation and manufacture of high value medicinal cannabis products. It's founding shareholders and directors comprise a group of high profile and seasoned executives with backgrounds in government, medicine, law enforcement, bio-pharmaceuticals and capital markets.

Since the proposed acquisition will result in a significant change to the nature and scale of the Company's activities, the proposed acquisition will require approval from the Company's shareholders under Listing Rule 11.1.2 and will also require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. A notice of meeting seeking shareholders' approval of the proposed acquisition will be sent out to shareholders in due course.

#### ***Corporate***

During the year the Company incurred a loss after tax of \$652,426 (2015 – loss of \$302,450).

The Company's financial position is sound as at the end of the year, with cash on hand of \$370,270.

### **FINANCIAL POSITION AND SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

The net assets of the Company at 30 June 2016 were \$319,946 (2015 - \$359,689).

Cash on hand at 30 June 2016 totalled \$370,270 (2015 - \$376,143).

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

It is expected that the Company will convene a meeting of shareholders during September 2016 to facilitate shareholders' approval of the proposed acquisition of AusCann. If shareholders' approval is given for the acquisition at that meeting, the Company's shares will be suspended until the proposed acquisition has been completed and re-compliance with Chapters 1 and 2 of the ASX Listing Rules is achieved.

## DIRECTORS' REPORT (continued)

The indicative share capital structure of the Company post-acquisition of AusCann (based on current securities on issue and the proposed capital raising will be as follows:

Securities	Pre-Consolidation	Post-Consolidation (20:1) *
Shares already on issue	602,362,410	30,118,121
Ordinary Shares issued:		
- for AusCann Shares (incl. Canopy)	2,934,183,790	146,709,190
- to Advisors	290,424,561	14,521,228
Performance Shares issued:		
- for AusCann Shares (incl. Canopy)	564,607,029	28,230,351
- to Advisors	55,884,621	2,794,231
Public Offer (if fully subscribed for \$5 million at a price of \$0.01 per Share pre-Consolidation)	500,000,000	25,000,000
<b>Total Shares on issue (excl. Performance Shares)</b>	<b>4,326,970,761</b>	<b>216,348,538</b>
<b>Total Shares on issue (incl. Performance Shares)</b>	<b>4,947,462,410</b>	<b>247,373,120</b>
Options issued to Directors and Canopy	213,552,779	10,655,000

\* Post-Consolidation totals are subject to the rounding down of fractional entitlements to the nearest whole number.

Further information about the likely developments in the operations of the Company in future years, the expected results of those operations, the strategies of the Company and its prospects for future financial years has not been included in this report.

### GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period to 30 June 2016 the directors have assessed that there are no current reporting requirements but may be required to do so in the future.

### DIVIDENDS

No dividends have been provided for or paid by the consolidated entity in respect of the year ended 30 June 2016 (2015 – nil).

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

As referred to above, the Company has entered into a binding agreement to effect the acquisition of AusCann Group Holdings Ltd (AusCann). A notice of meeting seeking shareholders' approval of the proposed acquisition will be sent out to shareholders in due course.

Other than the above, there have been no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect:

- the Company's operations in future years; or
- the results of those operations in future years; or
- the Company's state of affairs in future years.

## **DIRECTORS' REPORT (continued)**

### **ENVIRONMENTAL REGULATIONS**

The Company's environmental obligations are regulated by Australian State and Federal Law, and by the Laws of other countries in which it operates. The Company has complied with its environmental performance obligations. No environmental breaches have been notified by any Government agency to the date of the Directors' Report.

### **PROCEEDINGS OF THE COMPANY**

No person has applied to the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

### **INDEMNIFICATION AND INSURANCE OF OFFICERS**

The Company resolved that it would indemnify its current directors and officers. Coverage in respect of this indemnity has been provided via a *Directors and Officers* insurance policy negotiated at commercial terms. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Excluding the matter noted above the Company has not, during or since the financial year-end, in respect of any person who is, or has been an officer or auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

### **DIRECTORS' MEETINGS**

The number of meetings attended by each director during the year is as follows:

Director	Number of meetings held while in office	Number of meetings attended
D Wheeler	4	4
N Calder	4	4
S Taylor	4	4

### **SHARES UNDER OPTION OR ISSUE ON EXERCISE OF OPTION**

At the date of this report, there are no options to acquire ordinary shares on issue.

During the financial year the Company issued no ordinary shares as a result of the exercise of options.

### **REMUNERATION REPORT - AUDITED**

This report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for the key management personnel of the Company for the financial year ended 30 June 2016. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

## **DIRECTORS' REPORT *(continued)***

### *Key Management Personnel*

#### **Directors**

Mr David Wheeler (Non-Executive Chairman)

Mr Nicholas Calder (Non-Executive Director and Company Secretary)

Mr Simon Taylor (Non-Executive Director)

There were no executives in the Company during the financial year.

### *Remuneration Philosophy*

The objective of the Company's reward framework is to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors and executives of the highest calibre whilst maintaining a cost which is acceptable to shareholders.

### *Non-executive directors*

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed by the board. The chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

### *Directors' fees*

Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum, for all directors, currently stands at \$300,000 in aggregate. This amount is separate from any specific tasks the directors may take on for the company in the normal course of business and at normal commercial rates.

Fees for directors are not linked to the performance of the consolidated entity however, to align all directors' interests with shareholders' interests, directors are encouraged to hold shares in the company and may receive options. This effectively links directors' performance to the share price performance and therefore to the interests of shareholders. There have been no performance conditions imposed prior to the grant of options which act as an incentive to increase the value for all shareholders.

### *Executive remuneration*

The company aims to reward executives (both directors and executives) with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- Reward executives for company performance;
- Align the interest of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Fixed remuneration is reviewed annually or upon renewal of fixed term contracts by the board and the process consists of a review of company and individual performance, relevant comparative remuneration in the market and internal policies and practices. Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

The objective of variable remuneration provided is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. Variable remuneration may be delivered in the form of share options granted with or without vesting conditions.

## DIRECTORS' REPORT (continued)

### Details of remuneration

#### REMUNERATION FOR THE YEAR ENDED 30 JUNE 2016

Name	Short-Term Benefits \$ <i>Base Remuneration</i>	Post-Employment Benefits \$ <i>Super-annuation</i>	Share Based Payments \$ <i>Value of Options and ESS</i>	Total \$	Value of Share Based Payments as a Proportion of Remuneration %
<b>Directors</b>					
David Wheeler	40,000	-	-	40,000	-
Nicholas Calder <sup>1</sup>	96,000	-	-	96,000	-
Simon Taylor	36,000	-	-	36,000	-
<b>Total</b>	172,000	-	-	172,000	-

Notes: 1. Includes fees for company secretary services.

#### REMUNERATION FOR THE YEAR ENDED 30 JUNE 2015

Name	Short-Term Benefits \$ <i>Base Remuneration</i>	Post-Employment Benefits \$ <i>Super-annuation</i>	Share Based Payments \$ <i>Value of Options and ESS</i>	Total \$	Value of Share Based Payments as a Proportion of Remuneration %
<b>Directors</b>					
David Wheeler <sup>1</sup>	24,666	-	-	24,666	-
Nicholas Calder <sup>1,2,3</sup>	59,200	-	-	59,200	-
Simon Taylor <sup>1</sup>	22,200	-	-	22,200	-
Scott Douglas <sup>4</sup>	15,370	-	-	15,370	-
Craig Anderson <sup>4</sup>	15,370	-	-	15,370	-
Johann Jooste-Jacobs <sup>4</sup>	15,370	-	-	15,370	-
<b>Other</b>					
Mark Clements <sup>5</sup>	23,000	-	-	23,000	-
<b>Total</b>	175,176	-	-	175,176	-

Notes: 1. Appointed as a director on 18 November 2014.  
2. Appointed as company secretary on 18 November 2014.  
3. Includes fees for company secretary services.  
4. Resigned as a director on 18 November 2014.  
5. Resigned as company secretary on 18 November 2014.



## **DIRECTORS' REPORT (continued)**

### **Key management personnel equity holdings**

Fully paid, ordinary shares of the Company, including shares held either directly or indirectly:

	<b>Balance at 1 July</b>	<b>Movement</b>	<b>Balance at 30 June</b>
	<i>No.</i>	<i>No.</i>	<i>No.</i>
<b>2016</b>			
D Wheeler	-	-	-
N Calder	-	-	-
S Taylor	-	-	-

### **End of Audited Remuneration Report**

#### **Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, BDO, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 6 and forms part of this Directors' Report for the year ended 30 June 2016.

Signed in accordance with a resolution of the Directors.



**David Wheeler**  
Non-executive Chairman  
9 September 2016

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF TW HOLDINGS LIMITED

As lead auditor of TW Holdings Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 9 September 2016

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Continuing operations</b>			
Other income	5(a)	5,482	12,557
<b>Expenses</b>			
Administration expenses		(235,908)	(161,279)
Employee benefits and directors fees	5(b)	(172,000)	(152,176)
Exclusivity fee		(250,000)	-
Depreciation expense		-	(1,552)
<b>Loss before income tax expense</b>		(652,426)	(302,450)
Income tax expense	6	-	-
<b>Net loss for the year</b>		(652,426)	(302,450)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Other comprehensive income for the period, net of tax		-	-
<b>Total comprehensive loss for the period</b>		(652,426)	(302,450)
<b>Earnings per share</b>			
Basic earnings per share (cents per share)	12	(0.1)	(0.1)
Diluted earnings per share (cents per share)	12	(0.1)	(0.1)

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Notes	2016 \$	Restated 2015 <sup>1</sup> \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	15(a)	370,270	376,143
Trade and other receivables	7	10,281	12,673
Total Current Assets		<u>380,551</u>	<u>388,816</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	-	-
Total Non-Current Assets		<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>		<u>380,551</u>	<u>388,816</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	60,604	29,127
Total Current Liabilities		<u>60,604</u>	<u>29,127</u>
<b>TOTAL LIABILITIES</b>		<u>60,604</u>	<u>29,127</u>
<b>NET ASSETS</b>		<u>319,946</u>	<u>359,689</u>
<b>EQUITY</b>			
Issued capital	10	81,099,059	80,486,376
Accumulated losses	11	(80,779,113)	(80,126,687)
<b>TOTAL EQUITY</b>		<u>319,946</u>	<u>359,689</u>

The statement of financial position should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

	<b>Issued Capital</b>	<b>Reserves</b>	<b>Accumulated</b>	<b>Total</b>
	\$	\$	Losses	\$
	\$	\$	\$	\$
Balance at 1 July 2015	80,486,376	-	(80,126,687)	359,689
<i>Comprehensive income</i>				
Net loss for the year	-	-	(652,426)	(652,426)
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	(652,426)	(652,426)
<b>Contributions of equity net of transaction costs</b>	612,683	-	-	612,683
<b>Total transactions with owners and other transfers</b>	612,683	-	-	612,683
<b>Balance at 30 June 2016</b>	<u>81,099,059</u>	<u>-</u>	<u>(80,779,113)</u>	<u>319,946</u>

for the year ended 30 June 2015

	<b>Issued Capital</b>	<b>Reserves</b>	<b>Accumulated</b>	<b>Total</b>
	\$	\$	Losses	\$
	\$	\$	\$	\$
Balance at 1 July 2014	80,486,376	-	(79,824,237)	662,139
<i>Comprehensive income</i>				
Net loss for the year	-	-	(302,450)	(302,450)
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	(302,450)	(302,450)
<b>Total transactions with owners and other transfers</b>	-	-	-	-
<b>Balance at 30 June 2015</b>	<u>80,486,376</u>	<u>-</u>	<u>(80,126,687)</u>	<u>359,689</u>

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

## STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Interest received		5,482	12,557
Exclusivity fee		(250,000)	-
Payments to suppliers and employees		(374,038)	(421,345)
Net cash outflow used in operating activities	15(b)	(618,556)	(408,788)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	-
Net cash outflow from investing activities		-	-
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares (net of transaction costs)		612,683	-
Net cash inflow from financing activities		612,683	-
Net increase (decrease) in cash and cash equivalents		(5,873)	(408,788)
Cash and cash equivalents at the beginning of the financial period		376,143	784,931
Cash at the end of the financial period	15(a)	370,270	376,143

The above statement of cash flows should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The financial statements of TW Holdings Limited for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 7 September 2016.

TW Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and operating in Australia.

The nature of operations and principal activities of the Company are described in the Directors' Report.

### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied to all of the years presented unless otherwise stated.

#### (a) Basis of preparation

##### *Statement of Compliance*

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial report is presented in Australian dollars, which is the Company's functional and presentational currency.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

##### Going concern

For the year ended 30 June 2016 the company has recorded a net loss of \$652,426 and had net cash outflows from operating activities of \$618,556. These conditions indicate a material uncertainty that may cast a significant doubt about the company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The successful fund raising under a prospectus upon completion of proposed acquisition of AusCann.
- The proposed acquisition will require approval from the Company's shareholders under Listing Rule 11.1.2 and will also require the Company to re-comply with Chapters 1 and 2 of the AASX Listing Rules. A notice of meeting seeking shareholders' approval of the proposed acquisition will be sent out to shareholders in due course.

The Directors believe that the company will be successful in its fundraising under the prospectus, and as a result the financial report has been prepared on the basis that the company is a going concern.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Should the company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the company not be able to continue as a going concern.

### **(b) Adoption of new and revised standards**

#### *Standards and Interpretations applicable to 30 June 2016*

In the year ended 30 June 2016, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Company accounting policies.

#### *Standards and Interpretations in issue not yet adopted*

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016. As a result of this review the directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to Company accounting policies.

### **(c) Income Tax**

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the notional income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

A deferred tax asset for unused tax losses is recognised only if it is probable that future taxable amounts will be available to utilise losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

### **(d) Plant and equipment**

Plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset during their expected useful life of 2 to 5 years.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not shown in the accounts at a value in excess of the recoverable amount from assets.

### **(e) Financial instruments**

#### *Classification*

The Company classifies its investments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.



## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after 30 June 2016 which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

### *Available-for-sale financial assets*

Available-for-sale financial assets, principally comprising marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of 30 June 2016.

### *Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade date – the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

When securities are classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

### *Subsequent measurement*

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of income from continuing operations when the company's right to receive payment is established.

### *Fair value*

The fair values of quoted investments are based on last trade prices. If the market for financial assets is not active (and for unlisted securities), the company establishes fair value by using valuation techniques.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### *Impairment*

At each balance date the company assesses whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

#### **(f) Impairment of assets**

At each reporting date the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

#### **(g) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **(h) Revenue recognition**

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

#### **(i) Trade and other payables**

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are presented as current unless payment is not due within 12 months.

#### **(j) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“management approach”). The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of TW Holdings Limited.

#### **(k) Earnings per share**

Basic earnings per share is determined by dividing the profit (loss) after income tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

### 4. OPERATING SEGMENTS

The Board has considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded at this time that there are no separately identifiable segments.

### 5. REVENUE AND EXPENSES

	2016 \$	2015 \$
<b>(a) Revenue and other income</b>		
Interest and other income	5,482	12,557
	<u>5,482</u>	<u>12,557</u>
<b>(b) Expenses</b>		
<i>Employees benefits expense</i>		
Wages, salaries, directors fees and other remuneration expenses	172,000	152,176
Defined contribution superannuation expense	-	-
	<u>172,000</u>	<u>152,176</u>
<b>6. INCOME TAX</b>		
Tax expense comprises:		
Tax portion of share issue costs	-	-
Total tax expense	<u>-</u>	<u>-</u>
Income tax expense calculated at 30%	(195,727)	(90,735)
Add tax effect of:		
Tax portion of share issue costs	-	-
Less:		
Effect of tax losses not capitalised	<u>195,727</u>	<u>90,735</u>
	<u>-</u>	<u>-</u>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

The Company has tax losses arising in Australia of \$38,045,060 (2015 - \$37,597,985) that are available indefinitely for offset against future taxable profits, subject to meeting eligibility criteria within the Income Tax Assessment Act. No deferred tax asset has been recognised as there is uncertainty whether forecast future taxable profits will be realised that will utilise the tax losses.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. TRADE AND OTHER RECEIVABLES

	2016 \$	2015 \$
Goods and services tax recoverable	10,281	12,673

### 8. PROPERTY, PLANT AND EQUIPMENT

#### Cost

Balance at 1 July	3,449	3,449
Disposals	(3,449)	-
Balance at 30 June	-	3,449

#### Accumulated depreciation

Balance at 1 July	(3,449)	(1,897)
Depreciation for the year	3,449	(1,552)
Balance at 30 June	-	(3,449)

Net book value	-	-
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### 9. TRADE AND OTHER PAYABLES

Trade payables	38,604	20,627
Accrued expenses	22,000	8,500
	60,604	29,127

### 10. ISSUED CAPITAL

602,362,410 fully paid, ordinary shares (2015: 410,258,865)	81,099,059	80,486,376
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	2016 No.	2015 No.
Fully paid, ordinary shares		
Balance at 1 July	410,258,865	410,258,865
Movement during the year	192,103,545	-
Balance at 30 June	602,362,410	410,258,865

The ordinary shares have no par value and the Company does not have a limited amount of ordinary share capital.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11. ACCUMULATED LOSSES

	2016 \$	2015 \$
Balance at 1 July	(80,126,687)	(79,824,237)
Transfer from Share Option Reserve	-	-
Net loss attributable to members of the Company	(652,425)	(302,450)
Balance at 30 June	<u>(80,779,112)</u>	<u>(80,126,687)</u>

### 12. EARNINGS PER SHARE

Basic earnings; cents per share	<u>(0.1)</u>	<u>(0.1)</u>
Diluted earnings; cents per share	<u>(0.1)</u>	<u>(0.1)</u>

#### **Basic earnings per share**

The earnings and weighted average number of ordinary shares used in the calculation of the basic and diluted earnings per share are as follows:

Net loss	<u>(652,425)</u>	<u>(302,450)</u>
	Number	Number
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	<u>514,139,169</u>	<u>410,258,865</u>

### 13. DIVIDENDS

No dividends were declared or paid during the financial year (2015: Nil)

Franking account balance at 1 July and 30 June	<u>1,404,000</u>	<u>1,404,000</u>
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### 14. COMMITMENTS FOR EXPENDITURE

There are no capital, finance lease or operating lease commitments at 30 June 2016 (2015: Nil)

### 15. NOTES TO THE STATEMENT OF CASH FLOWS

#### (a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	<u>370,270</u>	<u>376,143</u>
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## NOTES TO THE FINANCIAL STATEMENTS (continued)

### (b) Reconciliation of profit for the year to net cash flows from operating activities

	2016 \$	2015 \$
Loss for the year after tax	(652,425)	(302,450)
Non cash income tax expense	-	-
Depreciation	-	1,552
<i>Changes in assets and liabilities</i>		
(Increase)/Decrease in trade and other receivables	2,392	6,008
(Increase)/Decrease in other current assets	-	-
Increase/(Decrease) in trade and other payables	31,477	(113,898)
Net cash used in operating activities	<u>(618,556)</u>	<u>(408,788)</u>

## 16. FINANCIAL INSTRUMENTS

### (a) Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through optimising the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital and accumulated losses as disclosed in Notes 10 and 11.

### (b) Financial Risk Management

The Company's financial management team provides services to the business, coordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Company and identifies any exposures by degree and magnitude of risks. These risks include credit risk, liquidity and cash flow interest rate risk and currency risk. The Company actively pursues avenues to minimise the effect of these risks.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

### (c) Categories of Financial Instruments

#### Financial Assets

Cash and cash equivalents	<u>370,270</u>	<u>376,143</u>
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#### Financial Liabilities

Amortised cost	<u>38,604</u>	<u>20,627</u>
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## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### (d) Foreign Currency Risk

The Company undertakes certain transaction denominated in United States dollars and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

The Company's exposure to currency risk at 30 June 2016 was \$Nil (2015: \$Nil). The effect of future movements in the exchange rate for United States dollars on the Company's financial position and results of its activities is likely to be negligible.

### (e) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed periodically.

The Company does not have a significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and borrowings is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

### (f) Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. The carrying amount approximates fair value because of their short term to maturity; and
- the fair value of short term financial liabilities and approximates because of their short term to maturity; and
- the fair value of long term finance borrowings is estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statement approximates their fair values.

### (g) Interest rate risk management

The Company is exposed to interest rate risk as it holds cash deposits at floating interest rates. The risk is that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities. The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section below.

#### ***Interest rate sensitivity analysis***

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting date. The board of Directors has determined that a 50 basis point increase or decrease represents a material interest rate risk and represents management's assessment of the possible changes in interest rates.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

At reporting date, if the interest rates has been 50 basis points higher or lower and all other variables were held constant, the Company's net profit would have been increased by \$1,916 and decrease by \$1,916 respectively. This is attributable to the Company's exposure to interest rates to interest rates on its variable rate deposits.

### (h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

#### Maturity Profile of Financial Instruments

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The financial liabilities are derived on undiscounted cash flows based on the earliest date on which the Company can be required to pay:

	Average Interest Rate %	Less than 1 year \$	1 to 5 years \$	5+ years \$	Total \$
<b>2016</b>					
<u>Financial Liabilities</u>					
Trade payables	Nil	38,604	-	-	38,604
<b>2015</b>					
<u>Financial Liabilities</u>					
Trade payables	Nil	20,627	-	-	20,627

### 17. KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to key management personnel of the Company is set out below:

	2016 \$	2015 \$
Short-term employee benefits	172,000	175,176
Post-employment benefits	-	-
Share based payments	-	-
	<u>172,000</u>	<u>175,176</u>



## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 18. RELATED PARTY TRANSACTIONS

#### (a) Transactions with key management personnel

##### (i) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 17 to the financial statements.

##### (ii) Loans to key management personnel

There were no loans granted to key management personnel during the financial year (2015: Nil)

#### (b) Other transactions with Directors and Director related entities

The Company pays an entity associated with Mr S Douglas for administration, rent and office services. During the year the amount paid for these services was \$8,840 (2015 - \$69,913).

During the year, other than key management personnel compensation and the matter noted above, no transactions occurred between the Company and a Director or a Director related entity.

### 19. REMUNERATION OF AUDITORS

	2016	2015
	\$	\$
Audit or review of the financial report	22,060	19,462
	<u>22,060</u>	<u>19,462</u>

### 20. CONTINGENT LIABILITIES

There are no contingent liabilities requiring disclosure in the financial report.

### 21. SUBSEQUENT EVENTS

On 17 March 2016, the Company announced that it had entered into a non-binding heads of agreement to acquire medical cannabis company AusCann Group Holdings Limited ("AusCann"). On 9 May 2016, the Company announced it had entered into a binding agreement to effect the same transaction.

Since the proposed acquisition will result in a significant change to the nature and scale of the Company's activities, the proposed acquisition will require approval from the Company's shareholders under Listing Rule 11.1.2 and will also require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. A notice of meeting seeking shareholders' approval of the proposed acquisition will be sent out to shareholders in due course.

Other than the above, there are no matters that have arisen since the end of the financial year requiring disclosure in the financial report.

## **DIRECTORS' DECLARATION**

In the opinion of the directors of TW Holdings Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standards and the Corporations Regulations 2001; and
  - b. giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the half-year then ended; and
  - c. complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the Board of Directors.



**David Wheeler**  
Chairman  
9 September 2016

## INDEPENDENT AUDITOR'S REPORT

To the members of TW Holdings Limited

### Report on the Financial Report

We have audited the accompanying financial report of TW Holdings Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 2(a), 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 company's preparation of the financial report that gives a 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 company'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.

#### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of TW Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## Opinion

In our opinion:

- (a) the financial report of TW Holdings Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 2(a) in the financial report, which indicates that the ability of the Company to continue as a going concern is dependent upon the success of the fundraising under the prospectus. This condition, along with other matters as set out in Note 2(a), indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 9 of the directors' report for the year ended 30 June 2016. 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.

## Opinion

In our opinion, the Remuneration Report of TW Holdings Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Glyn O'Brien

Director

Perth, 9 September 2016

## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 31 August 2016.

Distribution of equity securities	Number of Shareholders
1 - 1,000	1,183
1,001 - 5,000	249
5,001 - 10,000	56
10,001 - 100,000	617
100,001 and over	621
	<hr/> 2,726 <hr/>
Holding less than a marketable parcel	<hr/> 1,826 <hr/>

### Ordinary Share Capital

602,362,410 fully paid, ordinary shares are held by 2,691 individual shareholders.

All issued, ordinary shares carry one vote per share and carry the rights to dividends.

Substantial Shareholders	No. of ordinary shares in which interest is held	%
As at 6 September 2016, the register of substantial shareholders disclosed the following information:		
John Kenny	52,817,403	8.77
Jason Peterson	52,500,000	8.30

### Ordinary Shareholders

JDK Nominees Pty Ltd <Kenny Capital A/c>	52,817,403	8.77
Celtic Capital Pty Ltd <The Celtic Capital A/c>	35,000,000	5.81
Mr Jason Peterson + Mrs Lisa Peterson <J & L Peterson S/F A/c>	15,000,000	2.49
Mrs Katherine Elizabeth Macdermott <The Warrior A/c>	14,469,928	2.40
Nurrangi Investments Pty Ltd	12,199,600	2.03
Mr John Della Bosca <JA & JG Della Bosca Family A/c>	10,750,000	1.78
Mr Michael Andrew Whiting + Mrs Tracey Anne Whiting <Whiting Family S/F A/c>	10,626,875	1.76
Spinite Pty Ltd	10,000,000	1.66
Agens Pty Ltd <The Mark Collins S/F A/c>	8,400,000	1.39
Mr Craig Peter Ball	7,969,375	1.32
Mr Mario Di Lallo + Mrs Alison Valerie Di Lallo <M & A Super Fund A/c>	7,500,000	1.25
Mr Adam Albert Atkins	6,100,000	1.01
Foresight Pty Ltd	5,600,000	0.93
Mr Robert Fraser + Mrs Tracy Fraser <Fraser Family S/F A/c>	5,200,000	0.86
Mr Danny Gan	5,000,000	0.83
Mr Anthony Nicholas	5,000,000	0.83
United Trolley Collections P/L	5,000,000	0.83
Mr Christopher David Smerdon + Mrs Jane Louise Smerdon <No 2 Super A/c>	4,900,000	0.81
Mr Huu Tho Nguyen	4,610,307	0.77
Mr Barry Charles Jupp + Mr Clinton James Cash <Jupp & Cash S/F A/c>	4,266,010	0.71
	<hr/> 230,409,498 <hr/>	<hr/> 38.25 <hr/>

## CORPORATE GOVERNANCE STATEMENT

### INTRODUCTION

The company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the company's needs. To the extent applicable, the company has adopted *The Corporate Governance Principles and Recommendations (2nd Edition)* as published by ASX Corporate Governance Council (Recommendations).

In light of the company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at 30 June 2016 are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website [www.twholdings.com.au](http://www.twholdings.com.au).

### Board of directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- maintain and increase Shareholder value;
- ensure a prudential and ethical basis for the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- developing initiatives for profit and asset growth;
- reviewing the corporate, commercial and financial performance of the company on a regular basis;
- acting on behalf of, and being accountable to, the Shareholders; and
- identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

### Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. The Board currently consists of only executive directors. As the Company's activities develop in size, nature and scope, the composition of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

### Identification and management of risk

The Board's collective skills and experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

### Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

## **CORPORATE GOVERNANCE STATEMENT (continued)**

### **Independent professional advice**

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

### **Remuneration committee**

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process, following the recommendation of the Remuneration Committee.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$300,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Remuneration Committee reviews and approves the remuneration policy to enable the company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

### **Trading policy**

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the Managing Director). The policy generally provides that the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading. Details of the policy are available on the company's website.

### **External audit**

The company in general meetings is responsible for the appointment of the external auditors of the company, and the Board from time to time will review the scope, performance and fees of those external auditors following the recommendation from the Audit Committee.

### **Audit committee**

The company has established an Audit Committee which operates under an Audit Charter which includes but is not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the company, the company's internal financial control system and risk management systems and the external audit function.

### **Diversity**

The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly the company has a diversity policy. This policy outlines the company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annual both the objectives, and the company's progress in achieving them. Details of the policy are available on the company's website.

## CORPORATE GOVERNANCE STATEMENT *(continued)*

### Diversity Policy

The company and all its related bodies corporate are committed to workplace diversity.

The company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, the company will address the recommendations and guidance provided in the ASX Corporate Governance Council's *Principles and Recommendations*.

The Diversity Policy does not form part of an employee's contract of employment with the company, nor gives rise to contractual obligations. However, to the extent that the Diversity Policy requires an employee to do or refrain from doing something and at all times subject to legal obligations, the Diversity Policy forms a direction of the company with which an employee is expected to comply.

The key objectives of the Diversity Policy are to achieve:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity,

(collectively, the **Objectives**).

The Diversity Policy does not impose on the Company, its directors, officers, agents or employee any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to any anti-discrimination or equal employment opportunity legislation or laws in any State or Territory of Australia or of any foreign jurisdiction.

### Diversity Reporting

The Company's gender diversity as at the end of the reporting period is as follows:

Gender representation	30 June 2016				30 June 2015			
	Female		Male		Female		Male	
	No.	%	No.	%	No.	%	No.	%
Board representation	-	-	3	100	-	-	3	100

There are currently no senior positions with the group that are held by female employees.

The Company's proposed diversity objective for the 2016 financial year is to continue to assess and proactively monitor gender diversity at all levels of the business and report to the Board and monitor the implementation and effectiveness of the Company's diversity initiatives and programs.



## CORPORATE GOVERNANCE STATEMENT *(continued)*

The Company's compliance and departures from the Recommendations as at the date of this report are set out on the following pages.

<b>1.</b>	<b><i>Lay solid foundations for management and oversight</i></b>	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Board has adopted a formal charter setting out the responsibilities of the Board. This charter can be accessed at: <a href="http://www.twholdings.com.au">www.twholdings.com.au</a>
1.2	Companies should disclose the process for evaluating the performance of senior executives.	The Board will meet annually to review the performance of executives. The senior executives' performance is to be assessed against the performance of the Company as a whole.
1.3	Companies should provide the information indicated in the <i>Guide to reporting on Principle 1</i> .	A performance evaluation will be completed during the reporting period in accordance with the process detailed in 1.2 above.
<b>2.</b>	<b><i>Structure the board to add value</i></b>	
2.1	A majority of the board should be independent directors.	A definition of director independence can be accessed at <a href="http://www.twholdings.com.au">www.twholdings.com.au</a> . The Board currently does not have any independent Directors.
2.2	The chair should be an independent director.	The Chairman is not independent.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	The Chairman and Managing Director is not the same person.
2.4	The board should establish a nomination committee.	The Board has established a Remuneration and Nomination Committee and has adopted a formal Charter.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	The performance evaluation of Board members occurs in accordance with the Board's Performance Evaluation Policy can be accessed at <a href="http://www.twholdings.com.au">www.twholdings.com.au</a>
2.6	Companies should provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	The skills, experience and expertise relevant to the position held by each Director will be disclosed in the Directors' Report which forms part of the Annual Report. The company's policies can be accessed at <a href="http://www.twholdings.com.au">www.twholdings.com.au</a>
<b>3.</b>	<b><i>Promote ethical and responsible decision-making</i></b>	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>the practices necessary to maintain confidence in the company's integrity</li> <li>the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	The Company has adopted a Code of Conduct and Diversity Policy which can be accessed at <a href="http://www.twholdings.com.au">www.twholdings.com.au</a> .

## CORPORATE GOVERNANCE STATEMENT *(continued)*

3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	The Company has adopted a Diversity Policy which can be accessed at <a href="http://www.twholdings.com.au">www.twholdings.com.au</a> .
3.3	Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.	The information is disclosed in the Annual Report.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The information is disclosed in the Annual Report.
3.5	Companies should provide the information indicated in the <i>Guide to reporting on Principle 3</i> .	The diversity policy is disclosed in the Directors' Report which forms part of the Annual Report. The company's policies can be accessed at <a href="http://www.twholdings.com.au">www.twholdings.com.au</a> .
<b>4.</b>	<b>Safeguard integrity in financial reporting</b>	
4.1	The board should establish an audit committee.	The company has established an Audit Committee.
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists only of non-executive directors</li> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair, who is not chair of the board</li> <li>• has at least three members.</li> </ul>	The company has an Audit Committee which consists of three members. The Board currently does not have any independent or non-executive directors. The Company Secretary acts as secretary to the committee and attends its meetings.
4.3	The audit committee should have a formal charter.	The formal charter can be accessed at <a href="http://www.twholdings.com.au">www.twholdings.com.au</a> .
4.4	Companies should provide the information indicated in the <i>Guide to reporting on Principle 4</i> .	The members of the Audit Committee will be disclosed in the Directors Report which forms part of the Annual Report. The Audit Committee will meet twice in each year, before signing off the annual and half year financial statements.
<b>5.</b>	<b>Make timely and balanced disclosure</b>	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a Continuous Disclosure Policy which can be accessed at <a href="http://www.twholdings.com.au">www.twholdings.com.au</a>
5.2	Companies should provide the information indicated in <i>Guide to Reporting on Principle 5</i> .	The information will be disclosed in the Annual Report.

## CORPORATE GOVERNANCE STATEMENT *(continued)*

<b>6.</b>	<b><i>Respect the rights of shareholders</i></b>	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company has adopted a Shareholder Communications Policy which can be accessed at <a href="http://www.twholdings.com.au">www.twholdings.com.au</a> .
6.2	Companies should provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	The information is disclosed in the Annual Report.
<b>7.</b>	<b><i>Recognise and manage risk</i></b>	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Company has adopted a Risk Management Policy which can be accessed at <a href="http://www.twholdings.com.au">www.twholdings.com.au</a> . This policy outlines the key material risks faced by the Company as identified by the Board.
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.	The CEO/Executive Directors (equivalent) and Chief Financial Officer (equivalent) report to the Board on the areas they are responsible for, including material business risks and provide an annual written report to the Board summarizing the effectiveness of the Company's management of material business risks.
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.	The Board receives assurance in the form of a declaration, from the CEO/Executive Directors and Chief Financial Officer (equivalent) as required by the Corporations Act.
7.4	Companies should provide the information indicated in Guide to Reporting on Principle 7.	The information is disclosed in the Annual Report.
<b>8.</b>	<b><i>Remunerate fairly and responsibly</i></b>	
8.1	The board should establish a remuneration committee.	The Company has established a Remuneration and Nomination Committee under a formal charter.
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent director</li> <li>• has at least three members</li> </ul>	The Company has a Remuneration Committee which consists of three members. The Board currently does not have any independent or non-executive Directors. The Company Secretary acts as secretary to the committee and attends its meetings.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The structure of non-executive Directors' remuneration is clearly distinguished from that of executive Directors and senior executives will be described in the Directors' Report which forms part of the Annual Report.
8.4	Companies should provide the information indicated in the <i>Guide to reporting on Principle 8</i> .	The information is disclosed in the Annual Report.