UNAUDITED

TW Holdings Limited

ACN 008 095 207

PRELIMINARY FINAL ASX REPORT
for the year ended
30 JUNE 2016

	2016 $	2015 $	Movement	Percentage Change
Revenues from ordinary activities	5,482	12,557	decrease	43%
Loss from ordinary activities after tax attributable to the members	652,426	302,450	increased loss	115%
Loss for the year attributable to the members	652,426	302,450	increased loss	115%

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

	2016	2015
NET TANGIBLE ASSETS PER SECURITY (cents)	0.053	0.088

BASIS OF FINANCIAL REPORT PRESENTATION
This financial report is for the year ended 30 June 2016 and has been prepared in accordance with the Australian Securities Exchange Listing Rules as they relate to Appendix 4E and in accordance with the Corporations Act 2001. The accounting policies adopted with the contents of this report are consistent with those of the previous financial year and corresponding interim reporting period. Comments are for the twelve months ended 30 June 2016 with comparatives for the twelve months ended 30 June 2015. All amounts are measured in Australian dollars.

AUDIT STATUS
The financial statements contained within this Appendix 4E are in the process of being audited and, as such, the accounts are presented unaudited.

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 loss increased due to the Company entering into a transaction for the acquisition of AusCann which included the payment of an exclusivity fee of $250,000 that has been expensed in the income statement.

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

	Notes	**2016** $	**2015** $
Continuing operations			
Other income	*4(a)*	5,482	12,557
Expenses			
Administration expenses		(235,908)	(197,859)
Employee benefits and directors fees	*4(b)*	(172,000)	(115,596)
Exclusivity fee		(250,000)	-
Depreciation expense		-	(1,552)
Loss before income tax expense		(652,426)	(302,450)
Income tax expense	*5*	-	-
Net loss for the year		(652,426)	(302,450)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(652,426)	(302,450)
Earnings per share			
Basic 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** $	**2015** $
ASSETS			
Current Assets			
Cash and cash equivalents	*14(a)*	370,270	383,346
Trade and other receivables	*6*	10,281	5,470
Total Current Assets		380,551	388,816
Non-Current Assets			
Property, plant and equipment	*7*	-	-
Total Non-Current Assets		-	-
TOTAL ASSETS		380,551	388,816
LIABILITIES			
Current Liabilities			
Trade and other payables	*8*	60,604	29,127
Total Current Liabilities		60,604	29,127
TOTAL LIABILITIES		60,604	29,127
NET ASSETS		319,946	359,689
EQUITY			
Issued capital	*9*	81,099,059	80,486,376
Accumulated losses	*10*	(80,779,113)	(80,126,687)
TOTAL EQUITY		319,946	359,689

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

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

for the year ended 30 June 2015

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

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** $
Cash flows from operating activities			
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	*14(b)*	(618,556)	(408,788)
Cash flows from investing activities			
Payments for property, plant and equipment		-	-
Net cash outflow from investing activities		-	-
Cash flows from financing activities			
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	*14(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. 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.

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 of liabilities that might be necessary should the Company not be able to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(b) 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.

(c) 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.

(d) 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.

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.

(e) 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).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(f) Provisions and employee benefits

Provisions and employee benefits

Provisions are recognised when the Company has a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at 30 June 2016 using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2. 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.

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.

3. 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.

	2016 $	**2015** $
4. REVENUE AND EXPENSES		
(a) Revenue and other income		
Interest and other income	5,482	12,557
	5,482	12,557
(b) Expenses		
Employees benefits expense		
Wages, salaries, directors fees and other remuneration expenses	172,000	115,596
Defined contribution superannuation expense	-	-
	172,000	115,596

5. INCOME TAX

	2016 $	2015 $
Tax expense comprises:		
Tax portion of share issue costs	-	-
Total tax expense	-	-
Income tax expense calculated at 30%	(195,727)	(90,735)
Add tax effect of:		
Tax portion of share issue costs	-	-
Less:		
Effect of expenses that are not deductible in determining loss	195,727	90,735
	-	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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 $38,250,411 (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.

	2016 $	2015 $
6. TRADE AND OTHER RECEIVABLES		
Goods and services tax recoverable	10,281	5,470
	10,281	5,470
7. 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	-	-
8. TRADE AND OTHER PAYABLES		
Trade payables	38,604	20,627
Accrued expenses	22,000	8,500
	60,604	29,127
9. ISSUED CAPITAL		
602,362,410 fully paid, ordinary shares (2015: 410,258,865)	80,486,376	80,486,376

	2016 No.	2015 $
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)*

	2016 $	2015 $
10. ACCUMULATED LOSSES		
Balance at 1 July	(80,126,687)	(79,824,237)
Net loss attributable to members of the Company	(652,425)	(302,450)
Balance at 30 June	(80,779,112)	(80,126,687)

11. EARNINGS PER SHARE		
Basic earnings; cents per share	(0.1)	(0.1)
Diluted earnings; cents per share	(0.1)	(0.1)

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

12. DIVIDENDS

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

Franking account balance at 1 July and 30 June	1,404,000	1,404,000

13. COMMITMENTS FOR EXPENDITURE

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

14. 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	370,270	383,346

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

	2016 $	2015 $
(b) Reconciliation of profit for the year to net cash flows from operating activities		
Loss for the year after tax	(652,425)	(302,450)
Non cash income tax expense	-	-
Depreciation	-	1,552
Changes in assets and liabilities		
(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	(618,556)	(408,788)

15. 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 9 and 10.

(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

	2016	2015
Financial Assets		
Cash and cash equivalents	370,270	383,346
Financial Liabilities		
Amortised cost	38,604	20,627

(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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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 disk 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(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 $
2016					
Financial Liabilities					
Trade payables	Nil	38,604	-	-	38,604
2015					
Financial Liabilities					
Trade payables	Nil	20,627	-	-	20,627

16. CONTINGENT LIABILITIES

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

17. 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.