

EAST 72 HOLDINGS LIMITED



**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS**

30 JUNE 2016

## **DIRECTORY**

### **Directors**

Wayne Adsett	Non Executive Chairman
Andrew Brown	Executive Director
Richard Ochojski	Non Executive Director

### **Company Secretary**

Andrew Brown

### **Registered Office**

Suite 7.06  
2-14 Kings Cross Road  
POTTS POINT  
NSW 2011

### **Communications**

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<b>website:</b>	<a href="http://www.east72.com.au">www.east72.com.au</a>

### **Share Registry**

Boardroom Limited  
Level 12  
Grosvenor Place  
225 George Street  
SYDNEY NSW 2000

### **Shareholder Enquiries: 1 300 737 760 / (02) 9290 9600**

Shareholders requiring clarification of holdings, or requesting changes of name or address should contact Boardroom Limited directly. A variety of requisite forms may be downloaded from [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

### **Public listing**

National Stock Exchange of Australia - ticker code: E72

### **Nominated Adviser (NSXA)**

Oakhill Hamilton Pty. Limited  
PO Box 324  
CROWS NEST  
NSW 1585

### **Auditors**

PKF(NS) Audit and Assurance Limited Partnership  
755 Hunter Street  
NEWCASTLE WEST  
NSW 2302

### **Controlled Entity**

East 72 Investments Pty. Limited

### **Bankers**

Westpac Banking Corporation Limited

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In this Annual Report a reference to "Group", "we", "us" "E72" or "our" is a reference to East 72 Holdings Limited ABN 85 099 912 044 and the entity that it controls unless otherwise stated.

# EXECUTIVE DIRECTOR'S REVIEW

## Fellow Shareholders

This is the first Executive Director letter of East 72 Holdings Limited (**E72, the Company**) since the acquisition of a 69% controlling interest in the Company by my family in May 2016.

## Our intentions for E72

I have now relinquished (or agreed to relinquish) all commitments which do not involve the investment of my family funds. I hope that comes across as a fair statement of intent given that I have sat on various investee company boards for the past thirteen years. It's not that I have been re-reading William Sahlman's 1990 Harvard Business Review piece<sup>1</sup> over and over in my sleep – though it is extraordinarily applicable twenty six years on – but that I want to give 100% commitment to investing into the foreseeable future. This includes my private investing but one sole public company structure through which I will invest in a more transparent fashion – E72.

The magnificent aspect of investing is that you usually learn something new every day, but find a capacity to use accumulated knowledge in its evaluation. I've been involved in the stockmarket since 1980, and anyone who knows me – even a little - is aware of my appetite for reading about past corporate and investing success stories and failures. I have a vast array of stored readings; better still, I have thirty-five years of a variety of experiences as an analyst, fund manager, corporate investor and private investor to draw upon.

I make no representation that all the experiences have been favourable. However, I am happy that lessons have been learned. That won't guarantee success, but will provide a more illuminated pathway through investment markets.

So why choose the dormant shell company, Australian Premier Finance Holdings Limited (AHP) – now E72 – to turn into an investment vehicle?

The dormant entity (AHP) certainly had a value – the question yet to be answered is “how much?”. The current structure has no access to any of the past tax losses – although the costs of transition can be offset against future profits. However, we do have access to a franking credit pool of ~\$245,000. This is equivalent to 16.9cents per share, facilitating our ability to distribute just over 39c a share in fully franked dividends if appropriate income can be earned.

Additionally, the ability to pursue the investment strategy detailed in the public sphere, is best executed at present within an NSX listed entity. The larger, more regulated ASX prohibits the type of capital structure we will look towards in the future (see below), and requires investment companies to have \$15million in capital to commence. It will become apparent that E72 needs to work towards a larger structure, rather than have one bequeathed immediately. The use of our type of leveraged capital base would be difficult to achieve with \$15million of equity, being too large for the type of credit providers we are using, but too small for the global investment banking players who operate as “prime brokers”.

Hence, an NSX listing offers the key criteria for this type of unconstrained investment company; the dormant entity offered the benefits of a franking pool and a clean structure. The incoming shareholders effectively paid \$100,000 to access this structure and the franking benefits; as the largest of these, my family are happy that the price paid was fair. An NSX listing also offers some other flexibility, which I discuss later when describing how we hope to develop E72's capital base.

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<sup>1</sup> William A. Sahlman: “Why sane people shouldn't serve on Public Boards” *Harvard Business Review* May – Jun 1990

## **E72 is a effectively a company structured “hedge fund”<sup>2</sup>, composed of “retail” products**

E72 is a leveraged investment company operating through its subsidiary entity, East 72 Investments Pty Limited (“E72IPL”).

E72IPL commenced operation on 26 May 2016 and holds or intends to hold the following types of exposures:

- Stock index futures, index contracts for difference (CFD’s), currency and commodity and other derivatives;
- Listed equities in Australia;
- Selected listed equities overseas;
- CFD’s or other exposures in non-Australian companies; and
- Short sale exposures to selected Australian and overseas companies through CFD’s and physical short-sales.

We are doing something which is presently unique on Australian publicly listed markets: constructing a hedge fund through the use of products available to any retail investor.

These retail products - such as margin lending and CFD platforms and products – enable us to replicate a “professional” hedge fund, at least in our particular sphere of interest – “equity and equity hedge”. We have no need to employ a prime broker. The leading providers of these retail products – particularly CFD providers - are game-changers in the finance world; in theory, anyone can gain exposure to a myriad of listed securities on any major exchange, can hedge the currency exposure should they so choose, and can do so with gearing or leverage – the use of borrowed funds – in addition to subscribed equity.

Such gearing comes as a double edged sword – the ability to enhance return but also to expunge capital in a rapid fashion. E72IPL’s leverage comes in two forms:

- Conventional *financial* leverage
- *Synthetic* leverage

*Conventional leverage* is where we borrow money against an existing portfolio of shares, which is used to acquire further shares. This is achieved through conventional margin lending, which is done on a mortgaged basis. This is important to note, so that our shares cannot be used by the lender as financing for themselves, and be spirited away from our ownership. The shares are registered in our name, not a nominee. This is not an “Opes Prime” type arrangement

*Synthetic leverage* arises from the use of products such as futures and CFD’s whereby we are only required to pay an initial margin to control a larger contract sized exposure. The margins vary from a skinny 0.5% in the case of currencies and large indices, up to 40-50% in the case of equity CFD’s. As a guide, most Top 20 equity CFD’s in the Australian market can be acquired with only 5% margin and so can be leveraged 19x. We are assiduous in ensuring that the co-mingling of our funds with the CFD provider does NOT occur. This is not an “MF Global” type arrangement (we hope).

E72IPL limits the overall level of debt (financial and synthetic) to a maximum of five times equity, meaning that E72IPL could hold gross exposures of six times its equity value. Gross exposures are the total value of long positions AND short positions.

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<sup>2</sup> The first equity based hedge fund is generally attributed to Alfred Winslow Jones in 1949, whereby Jones used margin lending and “hedged” those stocks he was optimistic about with short sales of often comparable securities in which he had less faith. Interested readers might search out “Fortune” April 1966 or “Institutional Investor” August 1968 for relevant articles on Mr. Jones. They are available in the “library” section of our fledgling web site: [www.east72.com.au](http://www.east72.com.au)

E72IPL has devised a series of investment guidelines whereby limitations are placed on overall leverage, specific leverage in a long or short direction and initial individual stock exposure limits, whether held by physical or derivative exposure. At the discretion of the Board of Directors, these proposed limits may be amended.

To facilitate this type of structure requires two specific commitments from myself which are unusual in public companies, and which have relevance to the development of our capital base discussed below:

- I have personally guaranteed both the synthetic and financial leverage with CFD/futures and margin lending provider; and
- E72's independent Directors agreed to accept a \$500,000 line of credit from myself, to ensure that positions could be maintained in the event that markets temporarily moved in an adverse fashion, and enable E72 to pay margin calls or similar calls on its capital<sup>3</sup>.

This strategy is potentially of above average aggression. Statistics on "average" hedge fund leverage are hard to come by, and care needs to be taken in comparing different types of funds. True fixed interest hedge funds tend to use a larger quantum of leverage, given the smaller increments of movement they are usually dealing with and the ability to trade off different areas of yield curves or relative yields on high grade bonds.

In the equity space, the most appropriate survey I can locate<sup>4</sup> shows that gross leverage (being the aggregate of financial and synthetic leverage) was around 3.9x for the median fund in September 2014 – having been as low as 2.3x in October 2009 and as high as 5.4x in March 2011. Median gross leverage for equity funds in September 2014 was 3.0x – meaning \$1 of equity was geared up to \$4 in long AND short positions.

The good news is that I have been running a private version of E72 for some six years, of which the last three have been run explicitly on these lines. It has been successful – which doesn't of course guarantee that E72 will be – but it means other folks have put up with the cost of learning. Thankfully for them, that has been a positive. *That means, importantly, that E72 is only a start up in respect of capital – not concept.*

### **Developing E72's capital base**

Sharp eyed readers may have noticed the absence of a small four letter word to date: fees.

*There are none<sup>5</sup>.*

There are expenses – audits, share registry, some payments to Directors – the latter having been charged off through share based payments in the 2016 financial year - and listing fees. Unlike any other hedge fund type structure we know, there are no investment management fees. No 2+20's, 1+10's.

E72 is managed internally, but at its current size, cannot realistically stomach any kind of expense impost. We do everything we possibly can internally.

There is a trade off for this **and** the personal guarantees discussed previously.

To protect my guarantees, and the fact there are no management fees, I am committed to ensuring that the Brown family will retain a majority of ordinary (voting) securities.

This will mean that issues of equity beyond a certain point will not have voting characteristics. Of course, this would not be possible with an ASX listing and emphasizes the need to use the more flexible NSX route.

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<sup>3</sup> See NSX announcement: 27 May 2016

<sup>4</sup> UK Financial Conduct Authority: "Hedge Fund Survey" June 2015

<sup>5</sup> E72 is not subject to an investment management agreement.

Put bluntly, it means that I will be very difficult to remove as a Director in the event circumstances go awry, should I choose to stay. However, in fairness, there would still be an incentive for me to exit to realise my family's investment, albeit taking the guarantee commitments with me.

***In simple terms – you are backing myself and anyone I recruit in the future.***

In respect of capital, we will look to gradually raise new equity as we have to ensure our other capital providers are happy to assist in the development of our business, rather than stage a wholesale dilution of existing equity investors. In addition, as I have noted, we will look to raise different types of equity capital to maintain my family's majority ownership.

**E72's investment strategy and philosophy**

There are a number of ingredients in successfully developing E72, including but not limited to:

- Maintaining the appropriate level of gearing and exposure – discussed previously;
- Growing the capital base in a flexible and modest cost manner – see above; and importantly
- What we are here for – building a portfolio of appropriately selected, undervalued securities.

To date, we have taken mere “baby steps”; to be sure, during the 2017 financial year we will have to walk more quickly and start to run; however, I feel we have the right structure from which to build.

I am unashamedly a value investor, based around evaluating the estimated intrinsic value of the company, or on occasion, the (low) multiple at which I am acquiring what I believe to be the core business.

It is rare for a company to have a single business or asset which commands a single valuation metric. As an illustration, at 30 June 2016, we held positions in two UK banks – Barclays and Lloyds.

Lloyds is now closer to returning to its position pre-GFC as being the UK's pre-eminent earning bank from retail, SME and corporate customers. As with every other UK bank, profits are held back by misconduct provisions (for mis-selling of products in the “naughties”) and ongoing restructuring charges. However, Lloyds now earns around 13% return on equity (ROE) but trades around net tangible asset backing of £0.55 a share. As an interesting comparison, Westpac returns around 14.2% on equity and trades at 2.25x book value. By any stretch, Lloyds is a fairly easy analysis from here on. Its main cloud is that the UK Government's UKFI still own just over 9% of the capital and have proven to be astute sellers realising most of their investment at prices around £0.81 versus the prevailing £0.55.

Barclays on the other hand is two fantastic businesses with two added visible “scars” which make looking and touching more difficult. The core UK bank earns ROE of over 20% and the global cards and payments business also earn low 20%'s after tax return on equity. The problem is that in combination they only account for ~£12billion of Barclay's tangible equity base of around £48billion. The two “scars” are corporate and investment banking, which hogs around £22billion of equity and “non-core assets” which require around £8.5billion of equity to be sustained. As a result, Barclays shares trade at ~47% discount to net asset backing, leaving tangible equity of ~£48billion valued at ~£25billion.

It's not difficult to make an argument that on the ROE metrics, the core Barclays business is close to being worth the entire market capitalisation. Of course, the investment banking assets have a low return on equity of below 8% - slightly below most other global investment banks, but they trade at varying multiples of NTA converging around 0.8x. The non core assets of Barclays include some difficult to run-off derivatives and other securities and are certainly a net cost to the business - ~£2billion a year in operating expenses as well as ongoing impairments.

But this is a situation seen umpteen times before, albeit not in this size and extent of time needed to remedy. It's a long term process; even on the basis of the shares moving towards NTA as capital is freed up over another five years, that would give a 13% return per annum. As is usual in these “good-bank/bad-bank” plays, the time value of money is the key influence on return. Think Suncorp a few years back.

It is this type of analysis of dissecting seemingly singular businesses up into their constituent parts that I have found yields the best results. It's not always easy – especially in banking – but is the great challenge to be relished for the investment analyst. It's also about working out – what is the key business within an enterprise. That is a big help in framing the “investment thesis”, and equally in determining that the investee company is moving towards (or away from) the desired outcome. I enjoy these challenges and spend rather more hours than most trying to solve such puzzles across various industries. That's how it can be a one-man-show for a little while to come.

### **Broad brush thinking into FY2017**

Whatever one's views on specific regional areas, the global outlook is dominated by one aspect only: how does the developed Western world recalibrate interest rates starting from multi-century lows?

Policy – however necessary at the time – has now badly disrupted the evaluation of appropriate risk premia by leaving notional risk-free interest rates at absurd levels. In turn, annuity income streams have become over-valued by reference to any reasonable nominal parameters. We can postulate and theorise what happens when this changes but it is by no means easy. Take an insurer; higher interest rates will give them more income but it is likely that mark-to-market accounting (unless suspended again as it was in the GFC...) will reduce the value of their bond holdings. If they can hold them to maturity, however, it may not matter. On the other hand, we do know that some clown will achieve a horrid asset-liability mismatch and bankrupt themselves as rates move up. The same with banks. However, the real unknown will be the damage to wealth and confidence from lower prices for fixed interest securities held by the wider public and the leverage which is often applied to such holdings. As we have seen many times, leverage in hedge funds focused on fixed income is many multiples of that applied to other assets.

Even in this environment, a myriad of businesses can be found which are sensibly valued using “old-school” parameters and rules-of-thumb. Despite being at all time highs, within the US market and its significant hectares of overvalued securities (REITs for example), there is acre after acre of fertile land to find undervalued stocks. We have found quite a number in the “holding company” area, where discounts are high; there are very many examples in the broad financial area – investment banks, banks and insurers. This is particularly the case in the European markets.

With long term interest rates this low, two other factors stand out:

- For liquidity to enter the real economy is not easy until banks globally are in a position where they **psychologically** and financially feel able to lend to business and to retail customers; hence, cutting interest rates is counter-productive from this point as it reduces the value of savings of the baby boomer generation who go hunting speculatively in search of yield, bidding up assets such as real estate. I have a strong view this thinking is NOT in the mindset of bankers and certainly not Governments: who would not want to see their currency appreciate on the back of an interest rate rise? House point for the central bank Governor brave enough to see this and raise rates to stimulate the economy;
- Perceptions about interest rate changes from this point play havoc with the denominator in a discounted cash flow analysis of the world, meaning far greater forward volatility around what, in many cases, are largely peripheral events. Volatility is here to stay, irrespective of geo-political events. Our job is to make it our friend.

Whilst no one would call Brexit “peripheral” to financial markets, there was extreme over-reaction to something not yet certain, where the impact is at least two years away even if the UK does exit the EU (you think things move fast in Brussels and Strasbourg?). A 10% currency stimulus lessened any blow to numerous global UK based market leaders - leaving their Continental European counterparts gasping for air – and belying the Armageddon analyses of many.

These types of extreme rushes of blood – positive and negative – have produced a fertile trading environment, in a world of flattish equity returns over twelve months to the end of June 2016.



Irrespective of the annual return profile of equity indices, this type of volatility is unlikely to recede. E72 used the Brexit to put together five UK exposures as well as pick up intrinsically cheap US and European investments. At 30 June 2016, our non Australian exposure – net of index hedges and short sales – was about 49%. With the recent run-up in Australian market, you should expect the overseas component to keep increasing.

Why? Because I am not especially optimistic about Australia from an investment standpoint.

Whether you wear a red or blue political rosette, the lack of consistent thoughtful Government policy in the past ten years has left a fundamentally unbalanced economy. Whilst Sydney may be motoring ahead, various parts of economically recessed regional Australia are being subsidised by Central Government deficits. Given politics does not mirror population, this will be an ongoing situation with special interest groups preventing the necessary reform. There appears a blithe lack of acknowledgment of the fact Australia is the most indebted country on earth versus GDP when private and public sector debt is taken into account. That this debt is necessary to prop up a property market which bears no reality to income (rentally<sup>6</sup> or capital-wise) is quite frightening. Australia's major cities have locked themselves into being high cost metropolises, full of oligopoly rent-seeking utilities, which allow little scope for economic slowdowns. If the world decides it doesn't want to bank Australia any longer at low "risk premia"- which it may well do if the AAA credit rating falls away – then things could get very tough, very quickly. In the current world, AAA is not just a badge; for Australia it is a virtual necessity.

My own experience with banking suggests Australia's banks are waking up very quickly, but I suspect the horse has bolted to some degree. Allied to a lack of focus in lending to other areas – have a look at the RBA margin loan statistics – it is a pretty depressing picture. You can expect the Australian portfolio component to be specialist, likely devoid of larger names for the time being and emphasising beneficiaries of a lower Australia dollar.

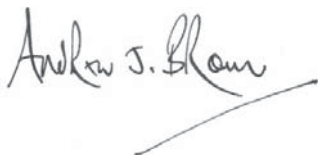
Our portfolio construct at 30 June 2016 was obviously influenced by the Brexit shakeout – who could resist buying the worlds largest "ad agency" group<sup>7</sup> at 13x P/E, still led by one of the great business people of our time? As we grow, I'll discuss various holdings in more detail when appropriate, most likely in a quarterly report.

#### **In conclusion....**

- this is my only focus in public company land into the foreseeable future;
- we are using hedge fund techniques with retail products;
- I have done this successfully in a private setting over a six year period;
- we are only charging expenses, not an onerous management fee;
- we will gradually add equity capital which can be assisted by our franking credit balance; but
- to run East 72 in this manner requires my personal financial support, so my family will maintain a majority voting holding.

Thank you for your initial support of the recapitalisation. It is the start of a long but hopefully rewarding road.

Sincerely,



Andrew Brown – Executive Director

<sup>6</sup> In Monocle™ magazine, issue 95, in a feature on the Top 25 "livable" global cities, Sydney ranks #8 (Melbourne is #6). Of the 25, the ascribed monthly rent for a Sydney one bed apartment is €1,616, surpassed only in the survey by Zurich (€1,800), Honolulu (€1,730) and Singapore (€1,700). See you in Berlin (€600). NYC, Paris & London don't rank. Tokyo is #1

<sup>7</sup> WPP plc & Sir Martin Sorrell

## DIRECTORS' REPORT

The Directors present their annual report, together with the financial statements on the consolidated entity East 72 Holdings Limited (formerly Australian Premier Finance Holdings Limited) ("**E72**", "**the Company**") and its controlled entities ("**Group**" or "**Economic Entity**") for the financial year ended 30 June 2016.

### DIRECTORS

The names and details of the Directors of the Company in office at the date of this report are:

**Wayne Adsett** (*Chairman*) (Appointed 9 March 2010)

Wayne was a founding partner of Adsett & Braddock Chartered Accountants. Wayne practiced for some 25 years before retiring from the practice and the profession. He specialized in management and taxation of medium sized businesses. He now oversees the management of a number of companies' activities in his role of investor, consultant and director.

**Andrew Brown** (*Executive Director and Company Secretary*) (Appointed 22 April 2016)

Andrew has 35 years experience in the Australian equity market as a stockbroker, corporate investor and funds manager. Andrew has an honours degree majoring in economics and econometrics from the University of Manchester, England and is a Graduate of the Australian Institute of Company Directors.

During the past three years, Andrew has served as a Director of the following other public companies:

- Australian Rural Capital Limited (appointed 16/5/2003 – ongoing)
- Australasian Wealth Investments Limited (appointed 22/12/2005; resigned 31/10/2013)
- Cheviot Bridge Limited (in Liquidation) (appointed 14/2/2003 – ongoing)

**Richard Ochojski** (*Non Executive Director*) (Appointed 22 April 2016)

Richard is an experienced finance executive having been employed within the Banking and Finance industry for more than 30 years. For almost 20 years, until the end of 2005, he worked at Macquarie Bank as a Director of the Banking Division within the Banking and Property Group. Whilst at Macquarie Richard had a pivotal role in realestate.com.au's public listing on the Australian Stock Exchange and is a former director of Realestate.com.au Limited.

Prior to this he was employed by a number of International Banks in London including The Bank of New York, Swiss Bank Corporation and Sumitomo Bank.

Richard has broad knowledge across a number of industries and in particular he has worked extensively with clients in the services sector. He has an extensive corporate finance and lending background specialising in cash flow lending.

Since leaving Macquarie Richard has been employed in a number of consulting roles across a broad range of industries and has served on a number of Public Company Boards usually as a Non-Executive Director but also as Executive Chairman.

During the past three years, Richard has served as a Director of the following other public companies:

- Crowd Mobile Limited (appointed 20/3/2013; resigned 13/1/2015)
- Reel Time Media Limited (appointed 9/4/2010; resigned 17/4/2015)

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (continued)

### Interests in the Shares of the Company and Related Bodies Corporate

The relevant interests of each director in the share capital of the Company shown in the Register of Directors' Shareholding as at the date of this report is:

	<i>Ordinary Shares</i>	<i>Unlisted Options</i>
Mr Wayne Adsett	43,898	50,000
Mr Andrew Brown	1,000,000	100,000
Mr Richard Ochojski	-	50,000

### Interests in Contracts or Proposed Contracts with the Company

On 27 May 2016, East 72 Holdings Limited agreed a financing facility through a line of credit with Executive Director, Andrew Brown. The line of credit is unsecured, has a limit of \$500,000 and an initial expiry date of 30 June 2017. Interest is charged on drawn amounts at Reserve Bank of Australia Official Rate (currently 1.75%) plus 4.25%, charged daily on drawn amounts and accrued monthly. The line of credit is presently indrawn.

### PRINCIPAL ACTIVITIES

The group's primary activities are investment in listed corporations, contracts for difference, futures, other derivatives and other financial assets.

As a result of the approval of shareholders of E72 at a general Meeting held on 22 April 2016, the Company's activities changed from being dormant to investment in financial assets as described above.

### RESULTS AND DIVIDENDS

The net loss after income tax for the financial year to 30 June 2016 was \$111,071 (2015: loss \$179,773). No dividends were paid or declared during the year.

### TRADING IN COMPANY SHARES

During the 12 months to 30 June 2016, the Company's shares were listed but did not trade on the National Stock Exchange of Australia ([www.nsx.com.au](http://www.nsx.com.au))

### REVIEW OF OPERATIONS

A full review of operations is given on pages 2 - 7 which includes the Executive Director's Review.

### SIGNIFICANT EVENTS DURING THE YEAR

On 22 March 2016, the Company announced to NSXA that it had received a recapitalisation proposal from interests associated with Andrew Brown. The proposals were ratified at a General Meeting held on 22 April 2016 and the company's activities were changed from being dormant to that of an equities, derivatives and other financial asset investor. At the same meeting, a capital injection of \$449,050 was ratified, which was partially used to clear existing creditors and to provide working capital for investment. Additionally, 200,000 unlisted options were issued to Directors as remuneration.

On 22 April 2016, the Company incorporated a new controlled entity, East 72 Investments Pty Limited through which the Economic Entity's investments are made.

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (continued)

### DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of a committee of Directors) attended by each of the Directors of the Company for the 12 months to 30 June 2016 was:

	Directors' Meetings held during period in office	
	No. of meetings eligible to attend	No. of meetings attended
Wayne Adsett	3	3
Andrew Brown <sup>a</sup>	2	2
Richard Ochojski <sup>a</sup>	2	2
Kenneth Allen <sup>b</sup>	1	1
Mark Ellis <sup>b</sup>	1	1

a: appointed 22 April 2016; b: resigned 22 April 2016

### REMUNERATION REPORT (AUDITED)

#### (A) Key Management Personnel

The names and positions of key management personnel of the Company who have held office during the financial year are:

#### Directors

Wayne Adsett	Non Executive Chairman	
Andrew Brown	Executive Director	Appointed 22 April 2016
Richard Ochojski	Non Executive Director	Appointed 22 April 2016
Kenneth Allen	Non Executive Director	Resigned 22 April 2016
Mark Ellis	Non Executive Director	Resigned 22 April 2016

#### (B) Directors Remuneration for the financial years ended 30 June 2016 and 30 June 2015

	Short-Term Benefits			Post Employment Benefits		Share Based Payments	Total
	Salaries & fees	Cash bonuses	Non Monetary Benefits	Super-annuation	Other	Options	
<b>2016</b>							
Wayne Adsett	-	-	-	-	-	\$10,820	\$10,820
Andrew Brown	-	-	-	-	-	\$21,640	\$21,640
Richard Ochojski	-	-	-	-	-	\$10,820	\$10,820
Kenneth Allen	-	-	-	-	-	-	-
Mark Ellis	-	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	<b>\$43,280</b>	<b>\$43,280</b>
<b>2015</b>							
Wayne Adsett	\$10,500	-	-	-	-	-	\$10,500
Kenneth Allen	-	-	-	-	-	-	-
Mark Ellis	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$10,500</b>	-	-	-	-	-	<b>\$10,500</b>

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### (C) Specified Executives Remuneration for the years ended 30 June 2016 and 30 June 2015

2015	Short-Term Benefits			Post Employment Benefits		Share Based Payments	Total
	Salaries & fees	Cash bonuses	Non Monetary Benefits	Super-annuation	Other	Options	
Carolyn Turner	\$33,514	-	-	-	-	-	\$33,514
Jason Allen	\$17,394	-	-	-	-	-	\$17,394
<b>TOTAL</b>	<b>\$61,408</b>	-	-	-	-	-	<b>\$61,408</b>

There were no specified executives in the period from 1 July 2015 to 30 June 2016.

#### (D) Remuneration Policy

The Non Executive Directors will annually review and recommend the remuneration packages of any members of senior management. The payment of bonuses, options and other incentive payments are annually reviewed by the Non Executive Directors as part of the review of Executive Directors and any future Specified Executives.

The Non Executive Directors can exercise their discretion in relation to approving bonuses, options and incentives but will do so by reference to measurable performance criteria, and are able to seek independent advice on the appropriateness of remuneration packages.

A remuneration policy has yet to be developed by the new board of the Company in light of the Company's small size.

#### (E) Service Agreements

There are no existing service agreements with the Directors or any Specified Executives.

#### (F) Options held by Specified Directors and Specified Executives

By approval of a General Meeting held on 22 April 2016, Wayne Adsett and Richard Ochojski were each granted 50,000 options and Andrew Brown was granted 100,000 options. These options vested on approval and can be exercised at \$0.35 per share until 30 April 2021.

#### (G) Shareholdings by Specified Directors and Specified Executives

Directors	Balance at 1/7/15	Received as Remuneration	Options Exercised	Net change - other <sup>a</sup>	Balance at 30/6/16
Wayne Adsett	14,863,782	-	-	(14,819,884) <sup>b</sup>	43,898
Andrew Brown	-	-	-	1,000,000	1,000,000
Richard Ochojski	-	-	-	-	-
<b>TOTAL</b>	<b>14,863,782</b>	-	-	<b>(13,819,884)</b>	<b>1,043,898</b>

a: net change - other refers to shares purchased or sold during the financial year

b: net change due to 350-1 consolidation plus rounding impacts

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### (H) Performance of East 72 Holdings Limited

NSX Listing Rules 6.9(9) and (10) require an analysis of the Economic Entity over the past five financial years.

\$	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Sales Revenue	2,352,728	2,426,955	2,658,575	898,645	9,950
EBITDA	650,201	1,044,408	1,067,742	182,793	(111,071)
EBIT	642,462	1,021,787	1,033,955	181,087	(111,071)
Profit/(loss) for the year (\$000's)	(309,813)	(14,436)	7,832	(179,773)	(111,071)

The Company's aim of generating shareholder wealth through the provision of finance in the automotive industry did not provide the requisite return to shareholders as a result of an inability to diversify sources of finance to facilitate provision of loans to the Company's customer base. As a consequence, the Company was not able to adequately amortise overheads across the book of business. In the year to 30 June 2015, the Company arrived at the conclusion that the finance business was better run in privately held hands and organised the divestment to an experienced Director. Between November 2014 and April 2016, the Company was dormant and merely incurred administrative expenses. From late May 2016, the Company has invested in equity securities and derivative instruments.

The table below shows the performance for the Company as measured by its share price, distributions via dividends and capital returns and profit from all operations (discontinued or ongoing) over the last five financial years.

	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Share price	The company's shares have not traded since 22 November 2011 at \$0.05				
Dividends paid (\$000's)	-	-	-	-	-
Basic earnings per share (cents) <sup>1</sup>	(186.1)	(8.7)	4.7	(108.0)	(30.9)

1: adjusted for 350-1 consolidation effective 6 May 2016

**This concludes the Remuneration Report, which has been audited.**

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#### INDEMNIFICATION OF DIRECTORS AND OFFICERS

Pursuant to Access and Indemnity deeds signed by the parties when each Director was appointed, the Company has agreed to indemnify each Director against any liability incurred by being a Director of the Company and to pay all of the Directors reasonable defence costs in relation to any claim alleging any liability on the part of the Director as a result of being a Director of the Company.

#### ENVIRONMENTAL REGULATION

No significant environmental regulations apply to the economic entity.

## **DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (continued)**

### **CHANGES IN STATE OF AFFAIRS**

During the financial year, there were no significant changes in the state of affairs of the economic entity other than those noted under significant events during the year.

### **PROCEEDINGS ON BEHALF OF THE COMPANY**

There are no material legal or other proceedings being made on behalf of the Company or against the Company as at the date of this report.

### **SUBSEQUENT EVENTS**

Nil.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Directors expect to continue to work towards investing the Company's capital. It is likely that the Company will seek to raise additional equity funds over the course of the next twelve months to more appropriately amortise the cost of administering a publicly listed company structure.

### **NON AUDIT SERVICES**

The auditors of the Company did not provide any non-audit related services to the Company.

### **AUDITOR'S INDEPENDENCE DECLARATION**

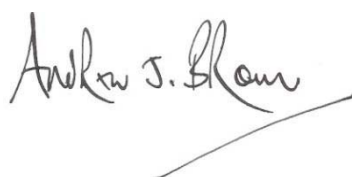
The auditor's independence declaration is included on page 16.

Dated at Sydney this 29<sup>th</sup> day of July 2016.

Signed in accordance with a resolution of the Board of Directors of East 72 Holdings Limited.



*R C Ochojski - Director*



*A J Brown - Director*

# CORPORATE GOVERNANCE STATEMENT – 30 JUNE 2016

## **BOARD COMPOSITION AND MEMBERSHIP:**

The number of directors must consist of no fewer than three and no more than seven. As at the date of this report the board consisted of three non-executive directors (W Adsett, A Brown and R Ochojski). The directors have elected Mr Adsett as Chairman. Individual details of directors, including their skills and experience, are set out in the Directors' Report.

## **DIRECTORS' ARRANGEMENTS:**

The Group's constitution provides that a director may hold office in any other entity that the Group deals with, with the exception of acting in the capacity of external auditor. Each director must disclose their interests in any other entities with whom the Group deals. It is the practice of the board that when a conflict of interest or a potential conflict of interest exists, the director concerned withdraws from that part of the meeting whilst the matter is being considered. At the discretion of the other board members and depending on the degree to which a conflict exists, the director concerned may be able to be present during discussions but cannot vote or exert influence over other members of the board.

## **REMUNERATION OF DIRECTORS:**

The total remuneration of non executive directors is determined at a general meeting. Any increase must be approved at a general meeting provided notice of any suggested increase has been given when the meeting was convened. Once total non executive directors' fees have been determined at a general meeting, the directors determine the amount to be paid to each non executive director. Executive directors are not entitled to receive directors' fees. Any director who devotes special attention to the business of the Group, or who otherwise performs services, which in the opinion of other directors are outside the scope of ordinary duties, may be paid such extra remuneration as the directors may determine. All directors are entitled to be reimbursed for any out of pocket expenses incurred by them whilst engaged on the business of the Group. Further details regarding the Group's remuneration policy are dealt with in the Directors' Report.

## **SHARE TRADING POLICY:**

The Group's share trading policy regulates dealings by the Group's directors, employees and personally related entities of directors and employees in any securities issued by the Group. The purpose of the policy is to ensure that the Group's directors and employees are aware of the legal restrictions on trading any securities issued by the Group while such a person is in possession of unpublished price sensitive information. Additionally, the policy is intended to minimise the chance that misunderstandings or suspicions may arise if the Group's directors or employees are trading in securities while it is reasonable to assume that they may be in possession of price sensitive information. The policy recognises that it may be illegal to trade in the Group's securities while in possession of unpublished price sensitive information.

## **CORPORATE GOVERNANCE STATEMENT AUDIT COMMITTEE:**

The Group has not established an audit committee at 30 June 2016 due to the current size of the Group. Any matters of an audit nature are discussed with the external auditors. It is the intention of the board to establish an audit committee when the Group reaches a size for the establishment to be cost effective.



## **CORPORATE GOVERNANCE STATEMENT - 30 JUNE 2016 (continued)**

### **RISK MANAGEMENT:**

The board is ultimately responsible for the management and performance of the Group. The board considers the management of risk as one of its key responsibilities. The following processes or procedures have been established to curtail or prevent the occurrence of risks within the Group's operations.

- Establishment of exposure limits across the Group's portfolio of investments;
- Establishment of position limits across the Group's portfolio of investments;
- Establishment of monthly financial reporting systems;
- Transparent dissemination of account information across the Group's directors in relation to stockbroking, banking and derivative accounts; and
- Periodic assessment of our information technology systems which includes the identification and rectification of any potential weaknesses that may exist within the constraints of an organisation of this size.

### **AUDIT:**

The board is responsible for the selection and appointment of the external auditor. To ensure the independence of the auditor, the Group will not use the services of the external auditor in a capacity that may jeopardize this independence.

### **CONTINUOUS DISCLOSURE AND REPORTING:**

The Group is aware of its responsibilities in relation to continuous disclosure as required by the Corporations Act 2001. Directors are also aware of their disclosure obligations at board meetings to keep the Group informed of any matters that are of a serious or significant nature that other directors should be aware of. The outcomes of discussions at board meeting are recorded in the Group's minutes.

**East 72 Holdings Limited  
ACN: 099 912 044**

**Auditor's Independence Declaration under Section 307C of the  
Corporations Act 2001**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



**PKF**  
Chartered Accountants

Newcastle, NSW

Dated: 29 July 2016



**MARTIN MATTHEWS**  
Partner

## **FINANCIAL REPORT FOR THE YEAR TO 30<sup>th</sup> JUNE 2016**

**Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016**

**Statement of Financial Position as at 30 June 2016**

**Statement of Changes in Equity for the year ended 30 June 2016**

**Statement of Cash Flows for the year ended 30 June 2016**

### **NOTES:**

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**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016**

	Note	Economic Entity	
		2016	2015
		\$	\$
<b>Continuing operations</b>			
Revenues	2	14,988	-
Other expenses	3	(125,260)	(66,870)
Finance costs	4	(799)	-
Profit/(loss) before income tax		(111,071)	(66,870)
Income tax benefit	6	-	-
Discontinued Operations		-	(112,903)
Profit/(loss) after income tax		(111,071)	(179,773)
Profit/(loss) attributable to non-controlling interests		-	-
Profit/(loss) after income tax and non-controlling interests		(111,071)	(179,773)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income attributable to owners of East 72 Holdings Limited		(111,071)	(179,773)
Basic (loss) (cents) per share from continuing operations	8	(30.9)	(40.2)
Diluted (loss) (cents) per share from continuing operations	8	(30.9)	(40.2)
Basic (loss) (cents) per share from continuing and discontinuing operations	8	(30.9)	(108.0)
Diluted (loss) (cents) per share from continuing and discontinuing operations	8	(30.9)	(108.0)
Dividends (cents) per share	7	-	-

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

***STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016***

	Note	Economic Entity	
		2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	9	54,135	-
Trade and other receivables	10	681	-
Financial assets	11,12,13,27	712,021	-
TOTAL CURRENT ASSETS		766,837	-
TOTAL ASSETS		766,837	-
CURRENT LIABILITIES			
Financial liabilities	14,15,27	395,232	-
Trade and other payables	16	52,196	61,850
TOTAL CURRENT LIABILITIES		447,428	61,850
TOTAL LIABILITIES		447,428	61,850
NET ASSETS		319,409	(61,850)
EQUITY			
Issued Capital	21	631,750	182,700
Share based payments reserve	22	43,280	-
Accumulated Losses		(355,621)	(244,550)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF EAST 72 HOLDINGS LIMITED		319,409	(61,850)

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

***STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016***

<b>ECONOMIC ENTITY</b>	<b>Issued Capital \$</b>	<b>Share Based Payments Reserve \$</b>	<b>Acquisition Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
<b>As at 30 June 2014</b>	<b>182,700</b>	<b>-</b>	<b>(179,322)</b>	<b>(64,777)</b>	<b>(61,399)</b>
Total comprehensive income for the year	-	-	-	(179,773)	(179,773)
Disposal of subsidiary	-	-	179,322	-	179,322
<b>As at 30 June 2015</b>	<b>182,700</b>	<b>-</b>	<b>-</b>	<b>(244,550)</b>	<b>(61,850)</b>
Total comprehensive income for the year	-	-	-	(111,071)	(111,071)
Share based payments reserve	-	43,280	-	-	43,280
Contribution of equity (net)	449,050	-	-	-	449,050
<b>As at 30 June 2016</b>	<b>631,750</b>	<b>43,280</b>	<b>-</b>	<b>(355,621)</b>	<b>319,409</b>

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016**

	Note	Economic Entity	
		2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		-	219,993
Payments to suppliers and employees		(104,230)	(439,927)
Purchases of equity investments		(160,685)	-
Investment in derivative account <sup>†</sup>		(130,000)	-
New loans issued		-	(971,603)
Loan payments received		-	953,389
Interest received		-	639,453
Finance costs paid <sup>†</sup>		-	(360,860)
<b>NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES</b>	<b>25 (A)</b>	<b>(394,915)</b>	<b>40,445</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash foregone on disposal of former controlled entity	<b>28</b>	-	(279,977)
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES</b>		<b>-</b>	<b>(279,977)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from equity issuance		449,050	-
Repayment of borrowings		-	(104,490)
		-	11,500
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>449,050</b>	<b>(92,990)</b>
Net (decrease)/increase in cash held		54,135	(332,522)
Cash at the beginning of the financial year		-	332,522
<b>Cash at the end of the financial year</b>	<b>9</b>	<b>54,135</b>	<b>-</b>

† Dividends earned, dividends paid away, interest, fees, charges and commissions are capitalised to the derivative account.

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

# EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been approved for issue by the Board of Directors of East 72 Holdings Limited on 29 July 2016. The functional currency of the entity is measured using the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the economic entity's functional and presentation currency.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements cover the economic entity, consisting of East 72 Holdings Limited and its subsidiary and covers the financial year ended 30 June 2016. East 72 Holdings Limited is a publicly listed entity, incorporated and domiciled in Australia.

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the Group. The principal accounting policies adopted in the preparation of this financial report are set out below.

#### A. Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ("AASB's"), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the financial statements also comply with International Financial Reporting Standards.

The Group is a "for-profit" entity, the principal activities of which during the financial year ended 30 June 2016 included 'equity investment' and 'funds management and financial services'. The nature of the group's activities changed from "dormant" to an investment company during the financial year.

#### *Historical cost convention*

These financial statements have been prepared on an accruals basis and are based on historic costs as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

#### *Amendments to Accounting Standards*

In accordance with Corporations Amendment (Corporate Reporting Reform) Act 2010, the economic entity has dispensed with the inclusion of parent company accounts but discloses the requisite information for the parent company as per note 19.

#### B. Principles of Consolidation

##### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of East 72 Holdings Limited ("company" or "parent entity") as at 30 June 2016 and the results of its subsidiary for the year then ended. East 72 Holdings Limited and its subsidiary together are referred to in these financial statements as "group" or "the economic entity".

Subsidiaries are all those entities over which the economic entity has control. The economic entity controls an entity when the economic entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the economic entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the economic entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the economic entity.



## **EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

### ***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)***

Investments in subsidiaries are accounted for at the lower of cost or recoverable value in the individual financial statements of the parent entity.

#### **C. Operating Segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ("CODM"). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

#### **D. Income Tax**

The income tax (expense)/benefit for the year comprises current income tax (expense)/benefit and deferred tax (expense)/benefit.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the reporting date. Current tax (liabilities)/assets are therefore measured at the amounts expected to be (paid to)/recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the financial year as well as unused tax losses.

Current and deferred income tax (expense)/benefit is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

East 72 Holdings Limited and its wholly-owned Australian controlled entity implemented the tax consolidation legislation as at 22 April 2016.

The wholly-owned entity has not compensated East 72 Holdings Limited since no deferred tax liabilities have been assumed by East 72 Holdings Limited on the date of the implementation of the legislation.

## **EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

#### **E. Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Net gain on investments are recognised when a contract note is issued in the case of a sale of shares or when a signed transfer agreement has been effected with the purchaser.

#### **F. Financial Instruments**

##### *Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

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

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

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

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

##### *Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation, using the effective interest rate method.

##### *Fair value*

Fair value is determined based on last sale prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

##### *Impairment*

At each reporting date, the economic entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

#### **G. Trade and Other Receivables**

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at the reporting date plus accrued interest and less, where applicable, any unearned income or provision for doubtful debts.

#### **H. Trade and Other Payables**

Accounts payable represent the principal amounts outstanding at the reporting date plus, where applicable, any accrued interest.

#### **I. Finance Costs**

Borrowing costs are expensed in the period in which they are incurred.

## **EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

#### **J. Employee Benefits**

##### *Wages, salaries, annual leave and sick leave*

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

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

##### *Share based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees and directors.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees and directors in exchange for the rendering of services.

Share based payments are expensed over the period that the payments vest to the employee and directors with a corresponding increase in equity over the vesting period. The current series of payments are options, valued by means of averaging (1) a six step binomial option calculation and (2) a Black-Scholes option calculation. Both option calculation methods use an exercise price of \$0.35, underlying security price of \$0.35, 75% volatility and risk-free rate of 1.96% with no dividend payment assumptions.

#### **K. Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, cash includes cash at bank and on hand and term deposits, offset by loans from a margin lending or overdraft facility .

#### **L. Goods and Services Tax**

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australia Taxation Office. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position. Cash flows in the Statement of Cash Flows are included on a gross basis. The GST component of cash flows arising from investing and financing activities that are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

#### **M. Contributed Equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the cost of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example, as part of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised in equity.

## **EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

#### **N. Earnings Per Share**

##### *Basic earnings per share*

Basic earnings per share is determined by dividing net profit/(loss) after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect if interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### **O. Impairment of Non-Financial Assets**

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

#### **P. Fair Value Measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

#### **Q. Leases**

No assets have been acquired under finance leases.

Lease payments for operating leases or licence assignments, where substantially all the risks and benefits remain with the lessor or assignor, are charged as expenses on a straight line basis.

#### **R. Business Combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

## **EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

### ***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)***

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

#### **S. Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### **T. New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

##### *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

##### *AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

**U. Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. The judgements, estimates and assumptions that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities is primarily in relation to Level 2 Financial Assets, which is discussed further in Note 29 and share based payments, which is discussed further in Note 22.

	<b>Economic Entity</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>2. REVENUES</b>		
Profit from sale of derivative investments	14,433	-
Interest	-	-
Dividends received – other corporations	555	-
<b>TOTAL REVENUES</b>	<b>14,988</b>	<b>-</b>
<b>3. PROFIT/(LOSS) FOR THE YEAR</b>		
<b>EXPENSES</b>		
Auditor’s remuneration – audit and review of the financial report	12,750	16,121
Change in fair value of investments retained - equities	2,115	-
Change in fair value of investments retained - derivatives	22,404	-
Commutation of creditors by mutual agreement	(14,180)	-
Directors fees, employee benefits and costs	-	-
Directors fees and costs – share based payments	43,280	-
Dividends paid away on short sale derivatives	103	-
Fees, charges and commissions on derivative positions	919	-
Legal, professional and accounting costs	15,360	8,000
Loss on sale of derivatives	3,218	-
Other expenses	39,291	42,749
<b>TOTAL EXPENSES EXCLUDING FINANCE COSTS</b>	<b>125,260</b>	<b>66,870</b>
<b>4. FINANCE COSTS</b>		
External	799	-
<b>Total finance costs</b>	<b>799</b>	<b>-</b>
<b>5. AUDITORS REMUNERATION</b>		
<b>Remuneration of the auditors of the parent entity for:</b>		
Auditing and reviewing the financial statements	12,750	16,121
	<b>12,750</b>	<b>16,121</b>

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

	Economic Entity	
	2016	2015
	\$	\$
<b>6. INCOME TAX</b>		
<b>(A) INCOME TAX</b>		
The aggregate amount of income tax expense/(benefit) attributable to the year differs from the amount prima facie payable on the profit/(loss) from ordinary activities. The differences are reconciled as follows:		
Loss before tax	(111,071)	(179,773)
Prima facie income tax expense/(benefit) on the profit/(loss) before income tax at 30% (2015: 30%)	(33,321)	(53,932)
<b>Add/(deduct) tax effect of:</b>		
Capital gain on sale	-	83,828
Other non-allowable items	-	24,607
Deferred tax assets not brought to account/(used)	35,796	(54,503)
Other timing differences	(2,475)	-
	-	-
	-	-
Income tax (benefit)/expense attributable to entity	-	-

The effective tax rate of 0% (2015: 0%) mainly arises from adjustments to past deferred tax balances and a decision not to bring to account tax losses (2015: bring to account tax losses) in respect of the current year.

**(B) DEFERRED TAX ASSETS NOT BROUGHT TO ACCOUNT**

As at 30 June 2016, the economic entity had estimated unrecouped operating income tax losses of \$74,209 (2015: \$118,389) which are not presented on the Statement of Financial Position. The benefit of these losses of \$22,263 (2015: \$35,517) has not been brought to account as realisation is not probable. Prior year unrecouped tax losses not presented on the Statement of Financial Position have been deemed as permanently unrecoverable as a result of a change of business and failure of "common ownership test". Unrecouped operating tax losses relate only to the economic entity after its transition to an investment company after 22 April 2016.

The benefit will only be obtained if:

- (i) the companies derive future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- (ii) the companies continue to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the companies in realising the benefit from the deductions for the losses.

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

	<b>Economic Entity</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>

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**7. DIVIDENDS AND FRANKING CREDIT BALANCES**

**Franking Credits**

Balance of franking account at the reporting date adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.

	245,059	245,059
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No dividends were declared or paid in respect of the years ended 30 June 2016 or 30 June 2015.

**8. EARNINGS PER SHARE**

Weighted average number of ordinary shares outstanding during the year used in calculation of EPS:

Basic and diluted EPS	359,268	166,446
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Unlisted options currently issued are treated as anti-dilutive since their exercise price is above the net asset backing per share of the Company. EPS calculations are fully adjusted for the 350-1 share consolidation effected in May 2016.

**Continuing operations**

Earnings used in the calculation of basic and diluted EPS	(111,071)	(66,870)
Basic and diluted (loss) per share (cents)	(30.9)	(40.2)

**Continuing and discontinued operations**

Earnings used in the calculation of basic and diluted EPS	(111,071)	(179,773)
Basic and diluted (loss) per share (cents)	(30.9)	(108.0)

**9. CASH AND CASH EQUIVALENTS**

Cash on hand and at bank	39,970	-
Cash held in margin lending account	14,165	-
Net cash and cash equivalents as per Statement of Cash Flows	54,135	-

**10. TRADE AND OTHER RECEIVABLES**

Other debtors and receivables	681	-
	681	-

**11. FINANCIAL ASSETS**

**Fair value through profit or loss:**

Listed investments at fair value		
- shares in listed corporations (note 12, 27)	199,243	-
Derivative securities held at fair value (note 13, 27)	512,778	-
	712,021	-



**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

		Economic Entity	
		2016	2015
		\$	\$
<b>12. FINANCIAL ASSETS – SHARES IN LISTED CORPORATIONS</b>			
The Economic Entity's shares in listed corporations comprise the following interests:			
Company	Industry	Value	Value
Ansell Limited	Healthcare/protection	23,696	-
Cabcharge Limited	Taxi management systems	31,900	-
Greencross Limited	Pet retail & veterinary	27,040	-
Henderson Group PLC	Funds management	14,995	-
Matrix Composites Limited	Floatation technology	14,067	-
Prime Financial Group Limited	Wealth management & planning	26,086	-
Shriro Group Limited	Consumer product distribution	12,037	-
Vealls Limited (capital shares)	Investment	23,250	-
Webster Limited	Agribusiness, water	26,172	-
		199,243	-

**13. FINANCIAL ASSETS – DERIVATIVE SECURITIES HELD**

The Economic Entity's derivative securities held comprise the following long exposures held through contracts for difference at fair value:

Company	Industry	Value	Value
AerCap Holdings BV	Aircraft leasing	31,288	-
American Express Inc	Consumer credit	52,170	-
Barclays PLC	Banking	19,967	-
EuroStoxx 50 index	European large cap index	33,713	-
Exor SpA	Holding company/reinsurance	28,950	-
Fairpoint Communications Inc	Network ownership	19,376	-
Fortress Investment Group	Investment management	26,640	-
Greenlight Capital Re	Reinsurance	26,332	-
HRG Group	Holding company	21,539	-
Henderson Group	Funds management	37,800	-
Hornbach Baumarkt	Hardware retail	23,471	-
ING Groep	Banking	22,907	-
KKR and Co LP	Private equity	26,868	-
Liberty Global C (LBTYC)	European cable ownership	25,529	-
Liberty LiLAC	Caribbean/South America cable	3,573	-
Lloyds Banking Group	Banking	16,072	-
Man Group PLC	Alternative inv. management	16,313	-
SMI 20 index	Swiss equity index	43,579	-
St James Place PLC	Wealth management	14,212	-
WPP PLC	Advertising & marketing	22,479	-
		512,778	-

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

	Economic Entity	
	2016	2015
	\$	\$
<b>14. FINANCIAL LIABILITIES</b>		
Derivative securities sold short for future purchase at fair value (note 15, 17)	249,835	-
Derivative account liabilities (note 17)	145,397	-
	395,232	-

**15. FINANCIAL LIABILITIES – DERIVATIVE SECURITIES SOLD SHORT FOR FUTURE PURCHASE**

The Economic Entity's derivative securities sold short comprise the following short exposures held through contracts for difference at fair value:

Company	Industry	Value	Value
Amazon Inc	Online/cloud supply chain	67,495	-
Apple Inc	Consumer electronics	50,780	-
Lululemon Athletica	Designer spandex	31,332	-
Marubeni Corp	Conglomerate	17,859	-
Pioneer Natural Resources	Oil and gas producer	30,603	-
S&P500 index	US equity index	51,766	-
		249,835	-

**16. TRADE AND OTHER PAYABLES**

**CURRENT (UNSECURED)**

Trade creditors	43,564	-
Other creditors and accruals	8,250	23,549
Other payables to related parties	382	38,301
	52,196	61,850

**17. BORROWINGS**

At 30 June 2016, East 72 Investments Pty. Limited ("**E72IPL**") had a margin loan facility of up to \$175,000 with an ASX listed bank. This facility grants the bank a mortgage charge against all the equity investment assets of E72IPL, and is guaranteed by Andrew Brown, the sole Director of E72IPL and a Director of the Company. The facility was not drawn as at 30 June 2016 but transactions had been effected as at 30 June 2016 which would lead to a drawdown of the facility on 2 July 2016.

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

	Economic Entity	
	2016	2015
	\$	\$
<b>17. BORROWINGS (continued)</b>		
Andrew Brown is also the guarantor of E72IPL's derivative trading account. Derivative account liabilities arise from the composition of the derivative account at any given time, and are limited only by the composition of security exposures held or sold short, gearing capacity on individual exposures, and margin available within the account. The derivative account composition at the reporting dates was:		
Derivative securities – long exposure (notes 11 & 13)	512,778	-
Derivative securities – sold short exposure (notes 14 & 15)	(249,835)	-
Net exposure to derivative account	262,943	-
<b>Funded by:</b>		
Equity within derivative account	117,546	-
Derivative account borrowings (note 14)	145,397	-
	262,943	-

**18. CONTROLLED ENTITIES**

	Country of Incorporation	Percentage Owned 2016	2015
	<b>Parent Entity:</b>		
East 72 Holdings Limited (formerly Australian Premier Finance Holdings Limited)	Australia	-	-
<b>Controlled Entity of East 72 Holdings Limited:</b>			
East 72 Investments Pty Limited <sup>†</sup>	Australia	100%	-

<sup>†</sup> East 72 Investments Pty Limited was incorporated on 22 April 2016

	Economic Entity	
	2016	2015
	\$	\$
<b>19. PARENT ENTITY INFORMATION</b>		
<b>Information relating to the parent entity, East 72 Holdings Limited:</b>		
Current Assets	345,660	-
Total Assets	345,660	-
Current Liabilities	11,523	61,850
Total Liabilities	11,523	61,850
Issued Capital	631,750	182,700
Share Based Payments Reserve	43,280	-
Accumulated Losses	(340,893)	(244,550)
Total Shareholders' Equity	334,137	(61,850)
(Loss)/Profit of the parent entity	(96,343)	73,253
Total comprehensive income of the parent entity	(96,343)	73,253

As at 30 June 2016 and 30 June 2015, the parent entity had not entered into any guarantees in relation to the debts of its subsidiaries, nor had entered into any contractual commitments for the acquisition of property, plant or equipment.

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

Economic Entity	
2016	2015
\$	\$

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**20. CONTINGENT LIABILITIES**

The Economic Entity has no outstanding contingent liabilities (2015: nil).

**21. ISSUED CAPITAL**

1,449,566 fully paid authorised ordinary shares (2015: 58,256,207 shares)	631,750	182,700
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**Terms and conditions of contributed equity:**

Ordinary shares have no par value. Ordinary shares have the right to receive dividends as declared and in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The voting rights attached to the ordinary shares at a general meeting of shareholders are such that on a show of hands every member present (in person or by proxy) shall have one vote and on a poll one vote for each share held.

**MOVEMENT IN ISSUED SHARES OF THE PARENT ENTITY FOR THE YEAR**

**ORDINARY SHARES**

Date	Details	Number of shares	\$
1 July 2015	Opening balance	58,256,207	182,700
6 May 2016	350-1 share consolidation	(58,089,621)	-
6 May 2016	Share placement at \$0.35 per share	1,283,000	449,050
30 June 2015	Closing balance	<u>1,449,586</u>	<u>631,750</u>

The Economic Entity, after approval by shareholders at a General Meeting on 22 April 2016, issued 200,000 options to the Directors. These options expire on 30 April 2021 and are exercisable at \$0.35 per share (see note 22).

**22. SHARE BASED PAYMENTS**

The economic entity issued 200,000 options (2015: nil) as share based payments during the period.

**Executive Remuneration**

On 6 May 2016, the company issued 200,000 options each exercisable into one new share of E72 at a price of 35c per share before 30 April 2021, being 50,000 to the Chairman, Wayne Adsett, 100,000 to Executive Director, Andrew Brown and 50,000 to non-executive Director, Richard Ochojski. The options had no vesting provisions. These options had a fair value at the grant date of 21.64c per option, based on a share price of \$0.35, option exercise price of \$0.35, interest rate of 1.96%, no dividend payments and volatility factor of 75%. This is consistent with a Black-Scholes model valuation using these inputs.

The weighted average remaining contractual life of unlisted options outstanding at the end of the financial year was 4.83 years (2015: nil).

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

**23. KEY MANAGEMENT PERSONNEL**

The names and positions held by Key Management Personnel of the economic entity who have held office during the financial year are:

**Directors**

Wayne Adsett	Chairman - Non Executive
Andrew Brown	Director – Executive (appointed 22 April 2016)
Richard Ochojski	Director – Non Executive (appointed 22 April 2016)
Kenneth Allen	Director – Non Executive (resigned 22 April 2016)
Mark Ellis	Director – Non Executive (resigned 22 April 2016)

**Compensation**

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	-	10,500
Post-employment benefits	-	-
Share based payments	43,280	-
	<u>43,280</u>	<u>10,500</u>

**Shareholding**

The number of ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, is set out below:

	<b>Balance at start of the year</b>	<b>Received as part of remuneration</b>	<b>Additions</b>	<b>Disposals / other<sup>a</sup></b>	<b>Balance at the end of the year</b>
<b>2016</b>					
Wayne Adsett	14,863,782	-	-	(14,819,884)	43,898
Andrew Brown	-	-	-	1,000,000	1,000,000
Richard Ochojski	-	-	-	-	-
Kenneth Allen	7,806,891	-	-	(7,784,585)	22,306
Mark Ellis	8,212,740	-	-	(8,189,275)	23,465
	<u>30,883,413</u>	<u>-</u>	<u>-</u>	<u>(29,793,744)</u>	<u>1,089,669</u>
<b>2015</b>					
Wayne Adsett	14,863,782	-	-	-	14,863,782
Kenneth Allen	7,806,891	-	-	-	7,806,891
Mark Ellis	8,212,740	-	-	-	8,212,740
Carolyn Turner	250,000	-	-	-	250,000
Jason Allen	250,000	-	-	-	250,000
	<u>31,383,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,383,413</u>

*a: disposals solely reflect 350-1 share consolidation effective 6 May 2016*

**Related party transactions**

Related party transactions are set out in note 27.

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

**24. CAPITAL AND LEASING COMMITMENTS**

**(A) OPERATING LEASE COMMITMENTS**

The Economic Entity has no outstanding operating lease commitments (2015: nil).

**(B) CAPITAL COMMITMENTS**

The Economic Entity has no outstanding capital commitments (2015: nil).

**(C) SUPERANNUATION**

The Company does not currently pay Directors fees other than through share based payments.

	<b>Economic Entity</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>25. CASH FLOW INFORMATION</b>		
<b>(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT/(LOSS) AFTER TAX</b>		
Operating profit/(loss) after income tax	(111,071)	(179,773)
<b>Cash flows excluded from profit/(loss) attributable to operating activities:</b>		
Purchases of equity investments	(160,685)	-
Investment in derivatives account	(130,000)	-
<b>Non cash flows in operating profit/(loss):</b>		
Change in fair value of equity investments retained	2,114	-
Change in fair value of derivative investments retained	22,404	-
Profit on sale of derivatives	(9,950)	-
Share based payments	43,280	-
Depreciation and amortisation	-	1,706
<b>Changes in assets and liabilities net of acquisitions:</b>		
(Increase)/decrease in deferred tax balances	-	153,111
Decrease/(increase) in loan receivables	-	79,909
(Increase)/decrease in sundry debtors & prepayments	(681)	-
(Decrease)/increase in trade creditors & accruals	(50,326)	27,174
(Decrease)/increase in provisions	-	(41,682)
<b>Cash flows (used in)/provided by operations</b>	<b>(394,915)</b>	<b>40,445</b>
<b>(B) LOAN FACILITIES</b>		
Margin lending facilities	175,000	-
Related party loan facilities	500,000	-
Amount utilised	-	-
Unused loan facilities	675,000	-

## **EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

#### **25. CASH FLOW INFORMATION (continued)**

At 30 June 2016, East 72 Holdings Limited had a financing facility through a line of credit with Executive Director, Andrew Brown. The line of credit is unsecured, has a limit of \$500,000 and an initial expiry date of 30 June 2017 or within 30 days written notice from the lender. Interest is charged on drawn amounts at Reserve Bank of Australia Official Rate (currently 1.75%) plus 4.25%, charged daily on drawn amounts and accrued monthly.

At 30 June 2016, controlled entity E72IPL had a margin lending facility with a maximum limit of \$175,000 with a controlled entity of an ASX listed bank. The facility is secured by mortgage over the CHESS sponsored equity investments held within the facility.

#### **26. EVENTS SUBSEQUENT TO REPORTING DATE**

Nil

#### **27. RELATED PARTY TRANSACTIONS**

##### **(a) Related Parties**

The Group's main related parties are as follows:

##### *(i) Parent Entity*

The Parent Entity is East 72 Holdings Limited, who holds a 100% interest in East 72 Investments Pty Limited.

##### *(ii) Key Management Personnel*

Any persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity are considered key management personnel.

##### **(b) Transactions with Related Parties**

##### **Key management personnel remuneration**

During the financial year, total remuneration of \$43,280 (2015: \$nil) was paid to Directors and key management personnel by the economic entity, including partially owned controlled entities. Details of the payments and shareholdings in East 72 Holdings Limited of Directors and key management personnel are shown in the Remuneration Report contained as part of the Directors Report on pages 8 - 13 of this Financial Report.

##### **Other related party transactions**

On 27 May 2016, East 72 Holdings Limited agreed a financing facility through a line of credit with Executive Director, Andrew Brown. The line of credit is unsecured, has a limit of \$500,000 and an initial expiry date of 30 June 2017 or within 30 days of written notice from the lender. Interest is charged on drawn amounts at Reserve Bank of Australia Official Rate (currently 1.75%) plus 4.25%, charged daily on drawn amounts and accrued monthly. The line of credit is presently indrawn. At 30 June 2016, Andrew Brown is owed \$382 by the Company for minor expenses relating to administration costs which does not form part of this credit line.

On 6 November 2014, the then subsidiary Australian Premier Finance Company Pty. Limited ("**APFCPL**") was sold to Kenneth and Joan Allen for \$2,594,799. This transaction was approved by shareholders at a General Meeting held on 4 August 2014 and was considered to be at arms length.

In the years ended 30 June 2016 and 30 June 2015, after the sale of the controlled entity APFCPL, the Company had no remaining business and was dormant until 22 April 2016. As a consequence, from 6 November 2014 to 6 May 2016, various invoices relating to the administration of the Company were paid by APFCPL, a then related entity of Kenneth Allen, a Director of the Company until 22 April 2016. As at 30 June 2015, the balance owed to APFCPL was \$38,301. In the year to 30 June 2016, APFCPL paid a further \$68,471 on behalf of the Company to settle invoices. After adjustments for GST, by mutual agreement, the Company paid \$84,198 to settle the outstanding balance with APFCPL of \$98,378. At 30 June 2016, there is no outstanding balance with APFCPL.

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

**27. RELATED PARTY TRANSACTIONS (continued)**

Solely in the year to 30 June 2015, various Directors and Director related entities received management fees, interest, consultancy fees and rental payments in relation to the Company's then business of vehicle financing. These transactions, which were on normal commercial terms and conditions no more favourable to those available to other parties, unless stated, are as follows:

<i>Related party name</i>	<i>Type of service and purpose of transaction</i>	<i>Value of transactions – year to 30 June 2015</i>
Adsett & Associates	Management fees	\$10,500
Adsett & Associates	Interest	\$8,859
Textbon	Consultancy fees	\$113,842
Turner Nominees	Interest	\$11,061
Northview Group	Interest	\$13,438
MP Ellis ATF MP Ellis Super Fund	Interest	\$11,333
MP Ellis Holdings	Interest	\$18,429
Pensioner Financial Services	Rent and outgoings for then principal place of business	\$32,022

There were no balances outstanding as at 30 June 2015.

**28. DISCONTINUED OPERATION / DISPOSAL OF CONTROLLED ENTITY (2015 YEAR)**

**(I) DESCRIPTION**

On 6 November 2014, the Economic Entity disposed of APFCPL which carried out all of its finance business. The proceeds on disposal of \$2,594,799 were received via subordination of loans.

The loss for the year to 30 June 2015 from the discontinued operations is analysed as follows:

	<b>2015</b>
	<b>\$</b>
(Loss) of finance business for the year	(73,704)
Loss on disposal of finance operations	(39,199)
	<u>(112,903)</u>

The following were the results of the finance business for the year to 30 June 2015:

	<b>2015</b>
	<b>\$</b>
Revenue	898,645
Cost of Sales	(103,431)
GROSS PROFIT	<u>795,214</u>
Administrative costs	(233,465)
Finance costs	(360,860)
Bad and doubtful debt expense	(209,550)
Other expenses	(65,043)
TOTAL EXPENSES	<u>(868,918)</u>
(Loss) before income tax expense	(73,704)
(Loss) for the period	(73,704)



**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

**28. DISCONTINUED OPERATION / DISPOSAL OF CONTROLLED ENTITY (2015 YEAR) (continued)**

**(II) DETAILS OF DISPOSAL OF CONTROLLED ENTITY**

The carrying amounts of assets and liabilities at the date of disposal of APFCPL were as follows:

	<b>Carrying amount \$</b>
Net assets disposed of (excluding goodwill)	2,552,619
Attributable goodwill	81,379
	<hr/>
	2,633,998
(Loss) on disposal	(39,199)
TOTAL CONSIDERATION	<hr/>
	2,594,799
	<hr/>
Satisfied by subordination of existing loans	2,594,799

A loss of \$39,199 was recognised on the disposal of APFCPL. No tax charge or credit arose on the transaction.

## **EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

#### **29. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT**

The economic entity undertakes transactions in a range of financial instruments including:

- listed shares and equity type securities in other corporations;
- contracts for difference and other derivatives;
- cash assets;
- receivables;
- payables;
- deposits; and
- bills of exchange and commercial paper.

As a consequence, the Economic Entity is exposed to a number of financial risks. The Directors believe that these risks fall into two categories:

- “largely controllable risks” including interest rate risk, credit risk, and liquidity and operational risks; and
- “partly controllable risks” mainly arising from financial market risk.

We seek to sensibly mitigate the controllable risks but recognise that our financial performance is likely to be highly volatile as a result of “mark-to-market” accounting conventions, and the economic entity’s policy of using gearing, derivatives and margin loans to make investments.

The Board provides overall guidance in respect of risk management, mainly in the areas of approving overall exposures, and providing advice and guidance in respect of the economic entity’s debt financing of its activities.

#### **(A) CAPITAL RISK MANAGEMENT**

We aim to manage equity and debt capital in order to provide returns for shareholders, whilst maintaining the Economic Entity’s ability to pay its debts as and when they come due. As a smaller corporation, there is limited ability to manage the overall cost of capital, since equity capital may not always be accessible, and if so, only at significant theoretical cost. These costs may result in significant dilution to existing shareholders’ percentage interest in the economic entity.

In addition, the supply of debt capital is also not always assured as a result of the economic entity’s requirements to use specialist margin loan facilities, derivatives contracts and support from related interests of its major shareholder. Since the economic entity’s business is of a specialist nature, commercial banks may not always be willing to lend to support its activities, or may do so on terms which are highly constraining. These constraints include not only the price of available credit – referenced by its margin over market based bank bill rates – but also the variable nature of covenants required to be observed by the economic entity.

The Company observed in the Notice of Meeting dated 22 March 2016 that it would maintain overall exposures – including the gross long positions and short positions held using derivatives to a maximum of six times equity, and single directional exposures to four times equity. Other restrictions were noted in relation to single security exposures. Further details are provided in note 29E below.

#### **(B) LARGELY CONTROLLABLE RISKS – INTEREST RATE RISK AND EXPOSURES**

**Interest rate risk** refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets, such as interest bearing bank accounts. The economic entity currently has access to loan facilities provided by margin loans and a line of credit supplied by a Director of the Company (being a related party of the major shareholder).

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

**29. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)**

**(B) LARGELY CONTROLLABLE RISKS – INTEREST RATE RISK AND EXPOSURES (continued)**

At current interest rates, over the course of a full year, an increase of 100 basis points in borrowing rates with an accompanying change in deposit rates would decrease pre-tax profit by \$6,451 (2015: \$nil).

Interest rate risk is not specifically managed since the economic entity has no fixed balance sheet inflow/outflow requirements which would require complex asset-liability management. Given the equity nature of the economic entity's investments, the Directors believe that any increases in the costs of debt finance could be mitigated by the sale of equity investments.

The following table summarises interest rate risk, for the economic entity with weighted average interest rates at reporting date:

	Interest Rate	Fixed Interest Rate \$	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
<b>ECONOMIC ENTITY 2016</b>					
<b>Financial assets:</b>					
Cash and cash equivalents	0.02%	-	39,970	14,165	54,135
Trade and other receivables	-	-	-	681	681
Investments	-	-	-	712,021	712,021
		-	39,970	726,867	766,837
<b>Financial Liabilities:</b>					
Derivative account liabilities	2.96%	-	145,397	-	145,397
Securities sold short	-	-	-	249,835	249,835
Trade and other payables	-	-	-	52,196	52,196
		-	145,397	302,031	447,428
<b>Net Financial Assets/(Liabilities)</b>		-	(105,427)	424,836	319,409
<b>ECONOMIC ENTITY 2015</b>					
<b>Financial assets:</b>					
Cash and cash equivalents	-	-	-	-	-
Trade and other receivables	-	-	-	-	-
		-	-	-	-
<b>Financial Liabilities:</b>					
Trade and other payables	-	-	-	61,850	61,850
		-	-	61,850	61,850
<b>Net Financial Assets/(Liabilities)</b>		-	-	(61,850)	(61,850)

## **EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

#### **29. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)**

##### **(C) LARGELY CONTROLLABLE RISKS – CREDIT RISK**

**Credit risk** is the risk that a contracting entity will not complete its obligations under an agreement or financial instrument and cause us to incur a financial loss. We have exposure to credit risk on various financial assets included in our statement of financial position.

The economic entity's two major credit risks relate to:

- its exposure to sold securities transactions where Clearing Members of Australian Securities Exchange are required to settle such transactions in the normal course of business on the Australian Securities Exchange. Clearing Members of ASX Limited are generally covered by the National Guarantee Fund for the types of transactions entered into by the Economic Entity. To help manage this risk, we monitor our exposures to individual entities. The maximum amount to which the economic entity is exposed as at 30 June 2016 is \$nil (2015: \$nil); and
- its exposure to providers of contracts for difference ("CFD") and other derivatives. The economic entity attempts to ensure it deals only with CFD providers who maintain a strict segmentation of client monies from those of the CFD provider itself. The economic entity will not transact business with CFD providers who knowingly co-mingle client and principal funds.

The economic entity is also exposed to credit risk through bank deposits and other simple money market instruments. These risks are managed by the economic entity placing short term deposits and bills only with highly rated major domestic commercial banks.

##### **(D) LARGELY CONTROLLABLE RISKS – OPERATIONAL AND LIQUIDITY RISK**

**Liquidity risk** includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the due date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial asset at all.

To help mitigate these risks we maintain constant monitoring of the economic entity's financial position through a series of cross-linked financial programs, and attempt to ensure the economic entity has accessible liquidity in the form of cash, readily saleable securities and access to line of credit and margin financing. The contracted cash flows of all financial liabilities (refer notes 14-17) are equal to their carrying value and will mature within twelve months of the reporting date.

##### **(E) PARTLY CONTROLLABLE RISKS – FINANCIAL MARKET AND SECURITIES RISK**

**Financial market risk** is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. In the main, this occurs due to the economic entity's investments in listed ordinary shares whose share prices can fluctuate significantly over short periods of time.

The Board of Directors regard financial market risk as being only partly controllable, since investing in ordinary shares and derivatives is an inherent component of the economic entity's activities, from which it seeks to profit. The economic entity is subject to significant risks which it is largely unable to control. In addition, the economic entity will endure additional risk as a result of investing in smaller and "microcap" companies, together with companies which themselves hold financial assets.

## EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)

#### 29. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)

##### (E) PARTLY CONTROLLABLE RISKS – FINANCIAL MARKET AND SECURITIES RISK (continued)

Investments in these companies are subject to more volatile price fluctuations as a result of:

- illiquidity of trading in the investee company's securities;
- potential proprietorial conflict from large shareholdings owned by management or Directors;
- concentration of major shareholdings, which can lead to extreme negative fluctuations in share prices when single investors seek to sell their securities in the investee company, irrespective of the business performance of the investee;
- lack of diversification of business activities of the investee company, rendering the investee susceptible to volatility within a single industry; and
- non-voting or restricted voting securities or other restrictive mechanisms enshrined in investee constitutions.

In respect of individual securities, the Board of Directors monitors significant exposures to individual securities, other than controlled entities.

The Company observed in the Notice of Meeting dated 22 March 2016 that it would maintain overall exposures – including the gross long positions and short positions held using derivatives to a maximum of six times equity, and single directional exposures to four times equity. As at 30 June 2016, the portfolio exposures exhibited the following characteristics in this respect:

	Exposure	Capital	Ratio	Maximum
Gross long and short exposures (physical & derivative)	\$961,856	\$319,409	3.01:1	6.1
Gross long exposures (physical and derivative)	\$712,021	\$319,409	2.22:1	4.1
Gross short exposures (derivative)	\$249,835	\$319,409	0.78:1	4.1
Single largest long	\$52,170		5.4%	6%
Single largest short	\$67,495		7.0%	6%

At 30 June 2016, the economic entity had one position (short sale of Amazon Inc) which had grown to in excess of the intended portfolio limits.

In the event that the listed company portfolio increased or decreased in value by 10% from the levels of 30 June 2016, there would be a corresponding positive or negative impact on pre-tax profit/(loss) of \$46,218 (2015: \$nil) assuming perfect correlations between the securities.

##### (F) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

As of 1 July 2009, the group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)**

**29. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)**

**(F) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	TOTAL \$
Financial assets at fair value through profit or loss:				
Shares in other corporations	199,243	-	-	199,243
Long derivative exposures	-	512,778	-	512,778
Short derivative exposures	-	(249,835)	-	(249,835)
<b>TOTAL</b>	<b>199,243</b>	<b>262,943</b>	<b>-</b>	<b>462,186</b>

30 June 2015	Level 1 \$	Level 2 \$	Level 3 \$	TOTAL \$
Financial assets at fair value through profit or loss:				
Shares in other corporations	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used):

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2016	30 June 2015				
Held for trading financial assets (see notes 10, 15)	Listed Australian equity securities: \$199,243	-	Level 1	Quoted bid prices in an active market	N/A	N/A
Held for trading derivative financial assets (see note 12)	Contracts for difference: \$512,778	-	Level 2	Third party provided prices based on active market	N/A	N/A
Held for trading derivative financial liabilities	Contracts for difference: \$249,835	-				

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Other data on net fair values of assets and liabilities is presented in notes 11, 12, 13, 14, 15 and 17 to the financial statements.

**EAST 72 HOLDINGS LIMITED (formerly Australian Premier Finance Holdings Limited) AND CONTROLLED ENTITY**

*NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016 (continued)*

**(G) RECONCILIATION OF NET FINANCIAL ASSETS TO NET ASSETS**

	<b>Economic Entity</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Net Financial Assets as above	319,409	(61,850)
<b>Non financial assets and liabilities:</b>		
Deferred tax assets	-	-
Net assets per balance sheet	319,409	(61,850)

**30. COMPANY DETAILS**

The Registered Office and Principal Place of Business of the Economic Entity is Suite 7.06, 2-14 Kings Cross Road, POTTS POINT, NSW 2011

**31. SEGMENT REPORTING**

The Economic Entity operates in only one segment being investment (listed securities and derivative and non-derivative financial assets).

## EAST 72 HOLDINGS LIMITED

### DIRECTORS DECLARATION

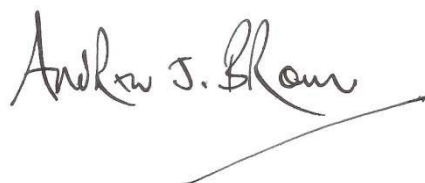
In accordance with a resolution of the Board of directors of East 72 Holdings Limited, we declare that:

- (a) The financial statements and notes of the Economic Entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Economic Entity's financial position as at 30 June 2016 and of its performance for the year ended on that date;
  - (ii) complying with Accounting Standards and Corporations Regulations; and
  - (iii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements; and
- (b) In the opinion of the directors, there are reasonable grounds to believe that the Economic Entity will be able to pay its debts as and when they become due and payable.
- (c) The Executive Director has declared that:
  - (i) the financial records of the Economic Entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (iii) the financial statements and notes for the financial year give a true and fair view.
- (d) The remuneration disclosures that are contained in pages 10 to 12 of the Directors' Report comply with Australian Accounting Standard AASB 124 Related Parties and Corporations Regulations 2001.

On behalf of the Board



R C Ochojski  
Director



A J Brown  
Director

Date: 29 July 2016



## Independent Audit Report to the Members of East 72 Holdings Limited

### Report on the Financial Report

We have audited the accompanying financial report of East 72 Holdings Limited and controlled entities (the Group), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state, in accordance with Accounting Standard *AASB 101: Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

### *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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## Independent Audit Report to the members of East 72 Holdings Limited

### *Auditor's Opinion*

In our opinion, the financial report of East 72 Holdings Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### **Remuneration Report**

We have audited the Remuneration Report included in pages 10 to 12 of the report of directors 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 s300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion, the Remuneration Report of East 72 Holdings Limited for the year ended 30 June 2016, complies with s300A of the *Corporations Act 2001*.



**PKF**  
Chartered Accountants

Newcastle, NSW

Dated: 29 July 2016



**MARTIN MATTHEWS**  
Partner

## EAST 72 HOLDINGS LIMITED.

### OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2016

#### A. Range of Shares Issued as at 10 July 2016

As at 10 July 2016 there were 1,449,586 shares held by 335 shareholders, all of which were quoted on the NSXA.

Range	Holders	Shares held	% of capital
1-1,000	281	7,817	0.54
1,001-5,000	4	7,436	0.51
5,001-10,000	26	177,868	12.27
10,001-100,000	22	364,465	25.14
100,001-9,999,999,999	2	892,000	61.54
<b>Totals</b>	<b>335</b>	<b>1,449,586</b>	<b>100.00</b>

#### B. Top Twenty shareholders as at 10 July 2016

Holder	Shares held	% of capital
Mrs Donna Ann Brown	692,000	47.74%
Stiletto Investments Pty Ltd	200,000	13.80%
A Brown And Company Pty Limited	60,000	4.14%
Abron Management Services P/L <Brown Family Super A/C>	28,000	1.93%
MP Ellis Holdings Pty Ltd <The Ellis Hybrid A/C>	23,465	1.62%
Panstyn Investments Pty Ltd	14,000	0.97%
Mr Stephen Murray Roberts & Mrs Megan Roberts <Roberts Pension Fund A/C>	14,000	0.97%
Pethol (Vic) Pty Limited (Macy No5 Super A/C>	14,000	0.97%
Mr Patrick James Dymock Elliott	14,000	0.97%
Pethol (Vic) Pty Limited	14,000	0.97%
Mr Stephen Murray Roberts & Mrs Megan Roberts <Dover Downs Super Fund A/C>	14,000	0.97%
Mr John Gordon Rayner	13,000	0.90%
WSB Super Pty Limited <WSB Dist Super Fund A/C>	13,000	0.90%
Viti Vini Consulting	13,000	0.90%
Mr Matthew A Lawson & Mrs Sarah Lawson	13,000	0.90%
Slate Creek Pty Limited <Phil Stanway Family A/C>	13,000	0.90%
Mr Phillip Jason Stanway & Mrs Linda Jean Stanway <P&L Stanway Super Fund A/C>	13,000	0.90%
Reklaw Pty Limited	13,000	0.90%
Stanway Nominees Pty Limited <RI and PT Stanway Family A/C>	13,000	0.90%
Stanway Capital Pty Limited	13,000	0.90%
<b>TOTAL TOP TWENTY SHAREHOLDERS</b>	<b>1,204,465</b>	<b>83.09%</b>

#### C. Voting Rights

Shareholders are entitled to one vote for each share held. On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll, every shareholder so present shall have one vote for every share held.

## OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2016 (CONTINUED)

### D. Substantial Shareholders

The company is aware of one shareholder who holds relevant interests of in excess of 5% of the company's ordinary shares as at 10 July 2016:

<b>Holder</b>	<b>Shares held</b>	<b>% of capital</b>
Andrew John Brown and Donna Ann Brown (relevant interests)	1,000,000	69.0%