

EAST 72 HOLDINGS LIMITED



**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

30 JUNE 2018

DIRECTORY

Directors

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

Company Secretary

Andrew Brown

Registered Office

Suite 112
120 Bourke Street
WOOLLOOMOOLOO
NSW 2011

Communications

telephone: (02) 9380 9001
mail: GPO Box 4870, SYDNEY NSW 2001
email: admin@east72.com.au
website: www.east72.com.au

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

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 Entities

East 72 Investments Pty. Limited
Stiletto Investments Pty. Limited

Bankers & Custodians

Bendigo and Adelaide Bank Limited
Interactive Brokers Pty. Limited
National Australia Bank Limited
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 entities that it controls unless otherwise stated.

EXECUTIVE DIRECTOR'S REVIEW

Fellow Shareholders

It would ordinarily be my preference not to discuss financial markets in any great detail, a process better performed within our quarterly reports, where we can mesh the prevailing environment into relevant stock selections. My intended hope is to use this, and future Executive Director commentaries to provide guidance on how we hope to develop East 72 Holdings (**E72**) and any key takeouts from the preceding twelve months.

In fiscal 2017, there was little introspection. We did extremely well in markets which catered to our style of investing, with a myriad of bargains; our performance before expenses of 56.9% in fiscal 2017 compared to 15.5% from the S&P500, and 27.8% from the NASDAQ 100. As a consequence, we were very forward looking.

We are typically assessing securities over two to three year time horizons, but with a view to catalysts and/or growth beyond that period. We are cognisant of where markets are priced at any given moment since that presents the "opportunity set", and have a view as to whether indices are cheap, expensive or neither. Clearly, the 2018 financial year did not pan out the way we expected and produced a well below par result in the short term. Whilst our performance and growth in NTA over the past two years is still more than reasonable, we accept that investors who entered East 72 over the past eighteen months or so have not seen that.

Our caution in last year's annual report, enunciated further at the 2017 AGM, was illustrated by the running of negligible positive or negative net exposures from March 2017 to February 2018. This has perhaps proved to be premature. As a result, we need to examine the current state of equity markets, especially in the US, which makes up just over half of global equity capitalisation. Trends which we felt might abate continued to unforeseen extremes, despite signs that the extremely loose monetary policy enacted since the GFC – and notably the "whatever it takes" speech of ECB Governor Draghi in July 2012 – was coming to a gradual conclusion, initially in the US, then progressively Europe and Japan.

Our surprise was that speculative activity further fermented, turning our Premier Cru into *Chateau Vinaigre*. Via a continual re-rating of earnings streams, along with bolstered earnings from US tax reductions, equity indices struck new heights across a number of markets early in calendar 2018. Within distinct periods we saw:

- A seven month period to end January 2018 being characterised by a slowly accelerating bull market in equities, with volatility falling to extraordinarily low levels; such low ex-ante volatility (projected by measures such as the CBOE's VIX index) and even lower ex-post outcomes has played havoc with securities pricing;
- A period within that from Thanksgiving Day in the US through to the last week of December 2017 of "tulip" like euphoria in crypto-currencies;
- A brief period of high volatility in February 2018 which served to shake out some of the excesses;
- The last quarter where investor unease over politics has resulted in a flight to perceived quality and growth, with price being a less relevant factor, driving ongoing extreme variations in the performance of "value" and "growth" style investing;
- The overlay of extreme levels of debt relative to the size of developed economies, allied to ongoing central bank interference in the price of money; and
- Extremist politicians, in a variety of countries, usurping the democratic process against seemingly limited opposition.

When investors focus on business models, "change the world" hopes and business personalities to the exclusion of sensible valuation parameters – or create new ones to justify existing prices – we know we are closer to the end of a market cycle than the beginning. When it is accompanied by these low volatility measures, excessive central bank liquidity which needs to be withdrawn and price insensitive purchases of exchange traded funds, the possibilities of explosive outcomes grow.

Put bluntly, this is not our type of environment. We thought there would be a gradual change during fiscal 2018. There wasn't. However, unless history is consigned to the waste bin, we know there will be, and unless it happens in the near future, the consequences when change comes will be more extreme.

Five forces

Five medium term forces have coalesced to create the high levels of equity prices we now see:

- A lower level of interest rates in the US (and globally) for a longer period than ever before, and over more recent years, below levels that past indicators would suggest¹;
- The use of this cheap debt to gear up US corporations; US corporate debt outstanding is now 45% of GDP, a record high;
- The explosion in growth of ETF's, price insensitive buyers (or sellers) of equities which we have discussed previously;
- A recent acceleration of estimated earnings growth, which, rebasing the 2017 figure to adjust for around \$8.50 of tax cut benefits – to bring the new 2017 S&P500 earnings base to \$142, predicts 12%pa growth over the next two years²;
- The recent US corporate tax cuts which have fueled a record level of share buy backs, expected to amount to US\$650billion in the 2018 calendar year amongst S&P500 companies alone (~3% of current S&P market capitalisation of \$22.7trillion)

Put crudely, more cheap borrowed money has gone into buying an ever decreasing set of shares, with competition from price insensitive buyers. Little wonder equity prices have gone up so much – like the NASDAQ 100 up 59% in two years.

With Australia's S&P/ASX 200 standing at below 6250 at year end, against a late 2007 all time high of 6850, there seems to be a belief that some of the madness in equity prices in the US has not infected the domestic market. Whilst there are obvious tribulations for the major banks and Telstra, this has led to an ongoing search for other avenues of growth, producing three phenomenon:

- Speculation regarding emerging producers of commodities, mainly but not exclusively concentrated in the "new metals" area;
- Pricing of establish well-run, historically strong returning companies to prices and valuation metrics they have not previously experienced in the belief that nothing can go wrong; and
- Very high valuations placed on emerging companies with interesting and potentially lucrative business models.

These three aspects are all reminiscent of hasty, late-cycle behaviour. The easiest of the three phenomenon to observe is the middle one – consistent re-rating of quality businesses. Recent JP Morgan aggregated figures show the weighted average P/E multiple for the Australian market excluding financial and resources stocks is now over 23x. Other than at cyclical turning points, I've not seen that in over thirty five years. This for an equity market where earnings growth is expected to be well below 10% in that part of the market; we know it will be in the lowest single digits for bank shares, assuming no massive dislocation of consumer credit quality.

In this respect, it's worth comparing two companies – Slug and Hare – growing at rates of 5% pa and 15%pa consistently. If Slug trades at a P/E of 13x, and Hare trades at 33x, it will still take Hare ten years of that rate of growth to equalise its P/E ratio with Slug. At 50x P/E, it's fifteen years. Some can do it, but the magnitude of the sort of achievement required is seen in one of Australia's most revered companies, CSL.

¹ There is significant debate about the usefulness or otherwise of the Taylor Rule, created by Professor John Taylor, then of Stanford University (Taylor, J.B., 1993. Discretion versus Policy Rules in Practice. Carnegie-Rochester Conference Series on Public Policy 39, December, 195-214.)

² Factset Inc adjusted by author

The company has had the benefit of significant foreign earnings, outstanding management and intense R&D effort in a growth sector. That has facilitated growth in EPS of 19.6% pa over the past fourteen years. It's a big ask that few can achieve, but many anticipate³.

Watering the tulips

One of our biggest mistakes in fiscal 2018 (but by no means our only one) was a short position in bitcoin from the period preceding our September 2017 AGM and into early 2018. Aside from the rise in price of the crypto-currency from ~US\$4000 in September 2017 to a peak ~\$20,000 in the third week of December 2017, bitcoin also spawned two "bonus issues" (forks) – bitcoin cash and bitcoin gold – which we effectively had to deliver up – but were able to buy back at sensible levels.

What is remarkable about bitcoin is the willingness of the regulatory authorities to countenance futures contracts and potentially ETF's for an unregulated instrument which can now be seen to have been manipulated. Two excellent academic papers have been published which show strong correlations between the price action and a "bot" (the Willy Bot) in 2013⁴ and also the interaction with printing of tethers in the period through to end Q1 2018⁵.

We're not naïve and acknowledge that bitcoin is an unregulated market, but in retrospect the degree to which individual investors were gamed from early November 2017 – and especially after 23rd being Thanksgiving Day in the US – to the near \$20,000 peak just prior to Christmas is unprecedented.

As a guide, our losses on bitcoin and its spin offs in fiscal 2018 amounted to over half of our pre-tax loss for the year.

Of course, social media advertising and spruiking of crypto-currency made provided a glimpse of a new and largely unregulated medium, being financial "influencing" via social media. It's an intriguing area which is finding its way into the mainstream.

Social research sharing

One of our larger positions is a short position in Telsa. Whatever one's view about the short term manufacturing statistics, it seems to use that in the medium term, there is not an adequate market at the company's electric vehicle price points to substantiate an equity (and enterprise) valuation around current levels. That's aside from any concern regarding cash flow which evolves only over a few quarterly periods given the numerous levers the company can pull to assist.

The growth in "social research" sharing is very useful, since it comes at a time of reducing amounts of stockbroker research, especially from larger houses constrained by the MiFID II⁶ regulations in Europe. Such information requires close cross-checking but we have found opinions and evidence from others to be very useful in formulating some of our own research and actions. The level of information – as opposed to extremist opinion – available on companies like Tesla is now remarkable, providing almost real time exposes of the company's production levels and other events.

It is starting to spread to Australia as well, due to branch networks of European firms who are directly impacted, as well as Australia's insidious desire to replicate global regulations, good and bad. Over time, this is good news for East 72. There will be more opportunities available as companies are left without research coverage, or where "paid for" research does not delve deeply into the valuation aspects of listed corporations. The benefit of our proprietary research should grow.

³ 3-1 share split adjusted EPS was \$0.41 in 2003-4 and is expected to be \$5.04 in the 2017/18 year

⁴ "Price Manipulation in the Bitcoin Ecosystem": Neil Gandal, JT Hamrick, Tyler Moore, Tali Oberman (December 2017)

⁵ "Is Bitcoin Really Un-Tethered?": John Griffin and Amin Shams June 2018

⁶ Markets in Financial Instruments Directive (MiFID II) is a regulatory framework of the EU; it legislates investment firms who provide services linked to "financial instruments" and (amongst other aspects) effectively involves the separation of remuneration for research, corporate and execution services.

What we are finding is the growth of informal, unregulated networks of investors on social media willing to share their ideas and thoughts about companies on four corners of the globe. That doesn't absolve us from doing our homework, but we are able to gravitate to other investors who share our philosophy and ethos, paring down the work required to find new ideas.

This activity serves to level the playing field for smaller investment companies, facilitating their role in the eco-system and allowing them (if successful) to grow. So we see structural tailwinds for what we do, providing we can get to a critical mass. Yes there will be more competition with more smaller investors, but that's why it is an imperative that we preserve our differentiating factors.

Developing East 72

We are committed to remaining an internally managed company. The benefits of such a structure were outlined at last year's AGM; I believe they have continued to be illustrated as we see numerous ASX listed LIC's trade at discounts to NTA which don't properly attempt to close the gap by accretive equity retirement strategies, for fear of diminishing the fees of the fund's manager. That won't happen with us. The merger with Stiletto Investments last September brought a number of benefits which we hope to illustrate more fully in the current financial year. It certainly gave us a larger critical mass of equity to move towards our ultimate objective of listing East 72 on the ASX.

An ASX listing is relevant to East 72 in a number of ways. To achieve this we will be required to hold \$15million in equity capital, with an appropriate spread of shareholders. That should provide greater liquidity in our shares for those who will eventually require a partial or full exit. More pointedly, it will ensure that we can develop the company for the long term with appropriate infrastructure and counterparties.

That is not to decry NSX; we continue to believe NSX is a fantastic breeding ground for smaller investment companies created by the beneficial environment noted above. We are heartened to see a recently recapitalisation of another NSX company in a similar vein to our own, backed by very credible investors⁷.

We have seen a greater level of interest in E72 since the lengthy article in *Australian Financial Review* on 9 July 2018⁸ (which must have been a very slow news day.....) This interest is not only in potentially investing in East 72 but also assisting the development of our infrastructure. We hope that both will come to fruition over the next few months, especially given the capacity to issue further equity as approved by the 31 May 2018 EGM.

Our cost base is made up of two components: unavoidable and discretionary.

The unavoidable is comprised of listing fees, audit costs and registry. As a guide, with an equity base of \$10m, we expect them to equate to ~0.75% of equity annually. If we gear our equity by 250% on average, that impost drops below 0.30% of average exposure.

Your board (and I) will earn our fees, which are a component of the discretionary portion; to this we hope to add a very small team to build out the company. In doing so we are cognisant of measuring our cost base against net equity – as would be the case for a normal long-only, ungeared investor; however, we do have the (hoped for) benefit of synthetic and financial leverage to enlarge our gross exposures against which we will also judge our discretionary cost base. So our build out will be done in such a manner permitted by our capital base, with the aim of keeping costs/equity well below 3% and subsequent costs/exposure below 1% on average.

⁷ Hamilton Securities Limited, subject to 27 August 2018 EGM proposals

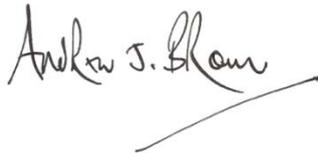
⁸ "Andrew Brown's hedge fund East 72 and the global hunt for value" AFR 9 July 2018

Outlook

We are hoping to see a measured pullback in equity prices across the globe, but especially in the US and Australia. There are already interesting opportunities in Europe, but some are clouded by the far less certain political landscape, both to its West and East. It is debateable whether given the rise in equity prices over the past few years, whether any pullback will be “measured” or become more hysterical. Whilst we won’t bet against the latter, it is not a central, nor required scenario.

Thank you for your support throughout the year to June 2018, which we hope will be better rewarded in the new financial year.

Sincerely,

A handwritten signature in black ink that reads "Andrew J. Brown". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Andrew Brown – Executive Director

DIRECTORS' REPORT

The Directors present their annual report, together with the financial statements on the consolidated entity East 72 Holdings Limited ("**E72**", "**the Company**") and its controlled entities ("**Group**" or "**Economic Entity**") for the financial year ended 30 June 2018.

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 37 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 – 19/8/2016)

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.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (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	43,188	50,000
Mr Andrew Brown	5,093,738	-
Mr Richard Ochojski	7,423	50,000

Interests in Contracts or Proposed Contracts with the Company

Nil

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The net loss after income tax for the financial year to 30 June 2018 was (\$664,715) (2017: profit \$197,437). No dividends were paid or declared during the year.

TRADING IN COMPANY SHARES

During the 12 months to 30 June 2018 and to 30 June 2017, the Company's shares were listed on the National Stock Exchange of Australia (www.nsx.com.au). There were no trades in the year to 30 June 2018 and a single trade on 7 June 2017 of 28,571 shares at \$0.35 was made during the year to 30 June 2017.

REVIEW OF OPERATIONS

A full review of operations is given on pages 2 - 6 which includes the Executive Director's Review.

SIGNIFICANT EVENTS DURING THE YEAR

The Company acquired a new subsidiary, Stiletto Investments Pty. Limited (**Stiletto**), on 26 September 2017 after approval from shareholders at the AGM. The Company issued 6,361,472 new shares and cancelled 400,000 "treasury" shares to effect the acquisition of Stiletto. The Company had a difficult period in the last quarter of 2017 due to holding short positions in shares and cryptocurrencies in a period when both escalated sharply in value. In the second six months of the financial year, with equity markets being more volatile and cryptocurrencies subsiding in value, the Company's net asset value increased by around 17% from its nadir in January 2018. In May 2018, the Company issued a total of 1,850,000 new shares via placement and exercise of options to raise \$560,000.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (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 2018 was:

	Directors' Meetings held during period in office	
	No. of meetings eligible to attend	No. of meetings attended
Wayne Adsett	4	4
Andrew Brown	4	4
Richard Ochojski	4	4

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
Richard Ochojski	Non Executive Director

(B) Directors Remuneration for the financial years ended 30 June 2018 and 30 June 2017

	Short-Term Benefits			Post Employment Benefits		Share Based Payments	Total
	Salaries & fees	Cash bonuses	Non Monetary Benefits	Super-annuation	Other	Options	
2018							
Wayne Adsett	20,000-	-	-	-	-	-	20,000
Andrew Brown	20,000-	-	-	-	-	-	20,000
Richard Ochojski	20,000-	-	-	-	-	-	20,000
TOTAL	60,000-	-	-	-	-	-	60,000
2017							
Wayne Adsett	-	-	-	-	-	-	-
Andrew Brown	-	-	-	-	-	-	-
Richard Ochojski	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-

(C) Specified Executives Remuneration for the years ended 30 June 2018 and 30 June 2017

There were no specified executive remuneration in the period from 1 July 2017 to 30 June 2018 or 1 July 2016 to 30 June 2017.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (continued)

REMUNERATION REPORT (AUDITED) (continued)

(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. Andrew Brown exercised his 100,000 options on 27 April 2018.

(G) Shareholdings by Specified Directors and Specified Executives

Directors	Balance at 1/7/17	Received as Remuneration	Options Exercised	Net change - other ^a	Balance at 30/6/18
Wayne Adsett	43,188	-	-	-	43,188
Andrew Brown ^b	2,028,571	-	100,000	2,825,167	4,953,738
Richard Ochojski	7,423	-	-	-	7,423
TOTAL	2,079,182	-	100,000	2,825,167	5,004,349

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

b: subsequent to 30 June 2018 and before the date of this report, Andrew Brown acquired 140,000 shares of the Company via placement and on-market purchases

(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 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Sales Revenue	2,658,575	898,645	14,988	468,571	2,065,662
EBITDA	1,067,742	182,793	(111,071)	316,893	(707,594)
EBIT	1,033,955	181,087	(111,071)	316,893	(707,594)
Profit/(loss) for the year	7,832	(179,773)	(111,071)	197,437	(664,715)

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (continued)

REMUNERATION REPORT (AUDITED) (continued)

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

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 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Share price (year end)	The company's shares did not trade in these financial years			\$0.35	No trade
Dividends paid (\$000's)	-	-	-	-	-
Basic earnings per share (cents) ¹	4.7	(108.0)	(30.9)	4.8	(4.8)

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

This concludes the Remuneration Report, which has been audited.

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.

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.

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (continued)

SUBSEQUENT EVENTS

On 19 July 2018, the Company placed 450,000 new shares at a price of \$0.30 per share to raise \$135,000.

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 15.

Dated at Sydney this 9th day of August 2018.

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 2018

GOVERNANCE PROTOCOLS:

The Company's full Governance Protocols – being Board Charter, Constitution, Code of Conduct and Share Trading Policy – are available at www.east72.com.au/governance

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 two non-executive directors (Wayne Adsett and Richard Ochojski) and one executive director, Andrew Brown. The directors have elected Wayne 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.

E72 regards the the following as precluded periods, in which shares may not be traded, namely between:

- End of the calendar month and release of unaudited NTA/share for the relevant month end;
- 30 June each year until a release of the full year results or definitive guidance; and
- 31 December each year until a release of the interim results or definitive guidance.

CORPORATE GOVERNANCE STATEMENT – 30 JUNE 2018 (continued)

AUDIT COMMITTEE:

The Group has not established an audit committee at 30 June 2018 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.

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.

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.

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.

During the year to 30 June 2018, the Company has released unaudited NTA/share calculations at the end of each month, together with a more fulsome disclosure of portfolio activity at the end of each quarter.

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 2018, 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



MARTIN MATTHEWS
PARTNER

9 AUGUST 2018
NEWCASTLE, NSW

FINANCIAL REPORT FOR THE YEAR TO 30th JUNE 2018

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Statement of Changes in Equity for the year ended 30 June 2018

Statement of Cash Flows for the year ended 30 June 2018

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EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

***STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018***

	Note	Economic Entity	
		2018	2017
		\$	\$
<hr/>			
Continuing operations			
Revenues	2	2,065,662	468,571
Other expenses	3	(2,773,256)	(151,678)
Finance costs	4	(290,968)	(74,418)
(Loss)/profit before income tax		(998,562)	242,475
Income tax benefit/(expense)	6	333,847	(45,038)
(Loss)/profit after income tax		(664,715)	197,437
(Loss)/profit attributable to non-controlling interests		-	-
(Loss)/profit after income tax and non-controlling interests		(664,715)	197,437
<hr/>			
Other comprehensive income for the year, net of tax		-	-
<hr/>			
Total comprehensive (loss)/income attributable to owners of East 72 Holdings Limited		(664,715)	197,437
<hr/>			
Basic (loss)/profit (cents) per share from continuing operations	8	(4.8)	4.8
Diluted (loss)/profit (cents) per share from continuing operations	8	(4.8)	4.8
<hr/>			
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 AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Economic Entity	
		2018	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	9	1,135,481	968,628
Trade and other receivables	10	20,672	374
Financial assets	11,14, 29	11,440,376	7,126,528
TOTAL CURRENT ASSETS		12,596,529	8,095,530
NON CURRENT ASSETS			
Deferred tax assets	6	296,374	6,265
TOTAL NON CURRENT ASSETS		296,374	6,265
TOTAL ASSETS		12,892,903	8,101,795
CURRENT LIABILITIES			
Financial derivative liabilities	12, 14, 29	4,805,795	4,534,004
Financial liabilities - borrowings	13, 25B, 29G	2,875,065	321,975
Trade and other payables	15	39,038	24,593
TOTAL CURRENT LIABILITIES		7,719,898	4,880,572
NON CURRENT LIABILITIES			
Deferred tax liabilities	6	77,475	51,303
TOTAL NON CURRENT LIABILITIES		77,475	51,303
TOTAL LIABILITIES		7,797,373	4,931,875
NET ASSETS		5,095,530	3,169,920
EQUITY			
Issued Capital	19	5,875,149	3,284,824
Share based payments reserve	20	43,280	43,280
Accumulated Losses		(822,899)	(158,184)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF EAST 72 HOLDINGS LIMITED		5,095,530	3,169,920

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

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

ECONOMIC ENTITY	Issued Capital \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
As at 30 June 2016	631,750	43,280	(355,621)	319,409
Total comprehensive income for the year	-	-	197,437	197,437
Contribution of equity (net)	2,653,074	-	-	2,653,074
As at 30 June 2017	3,284,824	43,280	(158,184)	3,169,920
Total comprehensive income for the year	-	-	(664,715)	(664,715)
Contribution of equity (net)	2,590,325	-	-	2,590,325
As at 30 June 2018	5,875,149	43,280	(822,899)	5,095,530

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Economic Entity	
		2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		-	2,739
Payments to suppliers and employees		(131,021)	(49,312)
Purchases of equity investments		(4,906,635)	(1,951,665)
Proceeds of sale of equity investments		3,528,834	322,720
Investment in derivative account [†]		(760,146)	(404,000)
Dividends received		113,921	19,494
Dividends paid away		(1,825)	-
Interest received		9,992	6,487
Finance costs paid [†]		(70,479)	(6,087)
Foreign exchange translation losses		(46,317)	-
Taxation paid		(83,460)	-
NET CASH USED IN OPERATING ACTIVITIES	25 (A)	(2,347,136)	(2,059,624)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loans from related entities		105,000	-
Repayment of loans to related entities		(105,000)	-
Payment for business, net of cash acquired		(591,679)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		(591,679)	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from equity issuance		560,000	2,662,395
Costs of equity issuance		(7,422)	(10,253)
NET CASH PROVIDED BY FINANCING ACTIVITIES		552,578	2,652,142
Net (decrease)/increase in cash held		(2,386,237)	592,518
Cash at the beginning of the financial year		646,653	54,135
Cash at the end of the financial year	9	(1,739,584)	646,653

† 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 AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 9 August 2018. 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 2018. 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 2018 included 'equity investment' and 'funds management and financial services'.

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 17.

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 2018 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 AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (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 entities implemented the tax consolidation legislation as at 22 April 2016.

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

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (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 gains 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.

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.

J. Employee Benefits

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.

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

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.

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.

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

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. 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.

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.

R. Comparative Figures

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

S. 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 2018. 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. Although the Directors anticipate the adoption of AASB9 may have an impact on the Group's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

T. 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 20.

	Economic Entity	
	2018	2017
	\$	\$
2. REVENUES		
Profit from sale of derivative instruments	1,367,139	181,279
Profit from sale of equity investments (A)	361,851	52,556
Dividends received – other corporations	163,040	53,101
Interest received	12,533	6,515
Change in fair value of investments retained - equities	146,444	145,542
Change in fair value of investments retained - derivatives	-	25,469
Fee and other income	1,355	4,109
Gain on bargain purchase	13,300	-
TOTAL REVENUES	2,065,662	468,571
(A) Net gain from sale of equity investments is composed of:		
Proceeds of sale of equity investments	3,371,644	322,720
Cost of sales of equity investments	(3,009,793)	(270,164)
	361,851	52,556
3. PROFIT/(LOSS) FOR THE YEAR		
EXPENSES		
Auditor's remuneration – audit and review of the financial report	24,836	21,152
Change in fair value of investments retained - derivatives	350,751	-
Directors fees, employee benefits and costs	60,000	-
Dividends paid away on short sale derivatives	177,147	54,883
Dividends paid away on short sale equity positions	1,825	-
Fees, charges and commissions on derivative positions	40,040	14,996
Foreign exchange translation losses	46,317	-
Legal, professional and accounting costs	18,255	6,000
Loss on sale of derivatives	2,021,693	23,708
Other expenses	32,392	30,939
TOTAL EXPENSES EXCLUDING FINANCE COSTS	2,773,256	151,678

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

	Economic Entity	
	2018	2017
	\$	\$
4. FINANCE COSTS		
External – synthetically leveraged derivatives	220,489	68,330
External – financially leveraged margin loans	70,479	6,088
Total finance costs	<u>290,968</u>	<u>74,418</u>

5. AUDITOR'S REMUNERATION

Remuneration of the auditors of the parent entity for:

Auditing and reviewing the financial statements	24,836	21,152
	<u>24,836</u>	<u>21,152</u>

6. INCOME TAX

(A) INCOME TAX

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)/Profit before tax	(998,562)	242,475
Prima facie income tax (benefit)/expense on the (loss)/profit before income tax at 30% (2017: 30%)	(299,569)	72,743
Add/(deduct) tax effect of:		
Franking credits	(28,363)	(5,442)
Deferred tax assets (used)/not brought to account	-	(22,263)
Overseas tax and withholding tax paid	(6,993)	-
Non deductible expenditure	818	-
Other timing differences	260	-
	<u>(34,278)</u>	<u>(27,705)</u>
Income tax expense /(benefit) attributable to entity	<u>(333,847)</u>	<u>45,038</u>

The effective tax rate of 33.4% (2017: 18.6%) mainly arises from franking credits and tax already paid on dividend receipts (2017: the use of prior year tax losses).

(B) DEFERRED TAX ASSETS

Deferred tax assets comprise:

Excess franking credits	29,413	1,049
Operating and investment losses	266,143	-
Temporary differences – accruals	818	5,216
	<u>296,374</u>	<u>6,265</u>

Unrecouped tax losses relating to the company's activities prior to April 2016 have been deemed as permanently unrecoverable as a result of a change of business and failure of "common ownership test" and have not been recognised.

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

	Economic Entity	
	2018	2017
	\$	\$

6. INCOME TAX (continued)

(C) DEFERRED TAX LIABILITIES

Deferred tax liabilities comprise:

Deferred tax on unrealised gains on derivatives and equities	77,475	51,303
	<u>77,475</u>	<u>51,303</u>

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.

	<u>371,007</u>	<u>252,833</u>
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No dividends were declared or paid in respect of the years ended 30 June 2018 or 30 June 2017.

8. EARNINGS PER SHARE

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

Basic and diluted EPS	13,919,503	4,130,700
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Unlisted options currently issued are treated as anti-dilutive since their exercise price was above the net asset backing per share of the Company for most of the 2018 and 2017 years.

Continuing operations

Earnings used in the calculation of basic and diluted EPS	(664,715)	197,437
Basic and diluted (loss) per share (cents)	(4.8)	4.8

9. CASH AND CASH EQUIVALENTS

Cash on hand and at bank	4,635	914,794
Cash in broking accounts	1,130,846	53,834
Net cash and cash equivalents as per statement of financial position	<u>1,135,481</u>	<u>968,628</u>
Margin lending account balance (note 13)	(1,362,593)	(321,975)
Broking account foreign exchange loans (note 13)	(1,512,472)	-
Net cash and cash equivalents as per Statement of Cash Flows	<u>(1,739,584)</u>	<u>646,653</u>

10. TRADE AND OTHER RECEIVABLES

Trade debtors and receivables	13,023	-
Prepaid tax	7,649	374
	<u>20,672</u>	<u>374</u>

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

	Economic Entity	
	2018	2017
	\$	\$
11. FINANCIAL ASSETS (CURRENT)		
Fair value through profit or loss:		
Listed investments at fair value		
- shares in listed corporations (notes 29A, 29L)	6,429,382	1,991,899
Derivative securities held at fair value (notes 14, 29B, 29L)	2,343,808	2,348,882
Net assets in derivative account (note 14)	2,667,185	2,785,747
	<u>11,440,375</u>	<u>7,126,528</u>
12. FINANCIAL LIABILITIES		
Derivative securities sold short for future purchase at fair value (notes 14, 29C, 29G, 29L)	4,486,523	4,534,004
Securities sold short for future repurchased at fair value (notes 29D, 29G, 29L)	319,272	-
	<u>4,805,795</u>	<u>4,534,004</u>
13. FINANCIAL LIABILITIES – BORROWINGS (SECURED)		
Foreign exchange liabilities with broker	1,512,472	-
Margin loan	1,362,593	321,975
	<u>2,875,065</u>	<u>321,975</u>

At 30 June 2018, East 72 Investments Pty. Limited (“**E72IPL**”) had a margin loan facility of up to \$1,500,000 (2017: \$1,500,000) with a subsidiary of an ASX listed bank. At 30 June 2018, Stiletto Investments Pty. Limited (“**SIPL**”) had a margin loan facility of up to \$1,000,000 with a subsidiary of an ASX listed bank. These facilities grant the bank a mortgage charge against all the equity investment assets of E72IPL and SIPL, and are guaranteed by Andrew Brown, the sole Director of E72IPL and SIPL and a Director of the Company.

14. DERIVATIVE ACCOUNT COMPOSITION

Andrew Brown, a Director of the Company, is the guarantor of E72IPL and SIPL’s derivative trading accounts. 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 (note 29B)	2,348,808	2,348,882
Derivative securities – sold short exposure (note 29C)	(4,486,523)	(4,534,004)
Net exposure to derivative account	<u>(2,142,715)</u>	<u>(2,185,122)</u>
Funded by:		
Equity within derivative account	524,470	600,625
Derivative account assets (note 11)	(2,667,185)	(2,785,747)
	<u>(2,142,715)</u>	<u>(2,185,122)</u>

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

	Economic Entity	
	2018	2017
	\$	\$
15. TRADE AND OTHER PAYABLES		
CURRENT (UNSECURED)		
Trade creditors	5,465	6,425
Other creditors and accruals	20,112	18,168
Taxation liabilities arising from acquisition	13,461	-
	39,038	24,593

16. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2018	2017
Parent Entity:			
East 72 Holdings Limited	Australia	-	-
Controlled Entities of East 72 Holdings Limited:			
Stiletto Investments Pty. Limited [†]	Australia	100%	-
East 72 Investments Pty Limited	Australia	100%	100%

[†] Stiletto Investments Pty Limited was acquired on 25 September 2017

	Economic Entity	
	2018	2017
	\$	\$
17. PARENT ENTITY INFORMATION		
Information relating to the parent entity, East 72 Holdings Limited:		
Current Assets	3,269,814	2,956,810
Total Assets	5,273,453	2,963,076
Current Liabilities	470,641	18,309
Total Liabilities	470,641	69,612
Issued Capital	5,875,148	3,284,824
Share Based Payments Reserve	43,280	43,280
Accumulated Losses	(1,115,616)	(434,640)
Total Shareholders' Equity	4,802,812	2,893,464
(Loss) of the parent entity	(726,015)	(93,747)
Total comprehensive loss of the parent entity	(726,015)	(93,747)

As at 30 June 2018 and 30 June 2017, 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 AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Economic Entity	
2018	2017
\$	\$

18. CONTINGENT LIABILITIES

The Economic Entity has no outstanding contingent liabilities (2017: nil).

19. ISSUED CAPITAL

16,867,900 fully paid authorised ordinary shares
(2017: 9,056,428 shares)

5,875,149	3,284,824
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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 2017	Opening balance	9,056,428	3,284,824
26 Sept 2017	Acquisition of SIPL	6,361,472	2,173,754
26 Sept 17	Cancellation of acquired treasury stock via SIPL	(400,000)	(136,682)
27 April 18	Placement at \$0.30/share	1,583,333	475,000
27 April 18	Exercise of options at \$0.35/share	100,000	35,000
1 May 18	Placement at \$0.30/ Capital raising costs	166,667 -	50,000 (6,747)
		<u>16,867,900</u>	<u>5,875,149</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 20).

20. SHARE BASED PAYMENTS

The economic entity issued nil options (2017: nil) as share based payments during the period.

Executive Remuneration

No share based payments were made in the year to 30 June 2018 or 30 June 2017. In the prior year, 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. On 27 April 2018, Andrew Brown exercised the 100,000 options issued to him.

The weighted average remaining contractual life of unlisted options outstanding at the end of the financial year was 2.83 years (2017: 3.83 years).

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

21. ACQUISITION OF CONTROLLED ENTITY

On 26 September 2017, E72 acquired 100% of the issued capital of Stiletto Investments Pty. Limited (Stiletto) from a group of shareholders including related interests of Andrew Brown, a Director of the Company, after approval was given by E72 Shareholders at the AGM of 25 September 2017. In the period from 26 September 2017 to 30 June 2018, the acquired business contributed revenue of \$287,536 (before consolidated adjustments) and a loss before tax of \$67,224.

The carrying amounts of assets and liabilities at the date of acquisition of Stiletto are as follows:

	Acquirees carrying amount	Fair value
	\$	\$
Cash and cash equivalents	1,243	1,243
Debtors	8,939	8,939
Equity in derivative account	554,848	554,848
Listed shares at market value	2,382,749	2,382,749
TOTAL ASSETS	2,947,779	2,947,779
Secured loans	(568,524)	(568,524)
Current tax liabilities	(101,569)	(101,569)
Deferred tax liabilities	(66,234)	(66,234)
TOTAL LIABILITIES	(736,327)	(736,327)
NET ASSETS	2,211,452	2,211,452
Deemed value of E72 Shares cancelled on acquisition	(136,682)	(136,682)
Gain on bargain purchase	(13,300)	(13,300)
ADJUSTED NET ASSETS	2,061,470	2,061,470
E72 Shares issued at deemed value	2,037,072	2,037,072
Cash payments	24,398	24,398
TOTAL PURCHASE CONSIDERATION	2,061,470	2,061,470

22. 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
Richard Ochojski	Director – Non Executive

Compensation

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

	Consolidated	
	2018	2017
	\$	\$
Short-term employee benefits	60,000	-
Post-employment benefits	-	-
Share based payments	-	-
	60,000	-

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

22. KEY MANAGEMENT PERSONNEL (continued)

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:

	Balance at start of the year	Received as part of remuneration	Additions	Disposals / other ^a	Balance at the end of the year
2018					
Wayne Adsett	43,188	-	-	-	43,188
Andrew Brown	2,028,571	-	3,325,167	(400,000)	4,953,738
Richard Ochojski	7,423	-	-	-	7,423
	<u>2,079,182</u>	<u>-</u>	<u>3,325,167</u>	<u>(400,000)</u>	<u>5,004,349</u>
2017					
Wayne Adsett	43,898	-	-	(710)	43,188
Andrew Brown	1,000,000	-	1,028,571	-	2,028,571
Richard Ochojski	-	-	7,423	-	7,423
	<u>1,043,898</u>	<u>-</u>	<u>1,035,994</u>	<u>(710)</u>	<u>2,079,182</u>

Related party transactions

Related party transactions are set out in note 24.

23. CAPITAL AND LEASING COMMITMENTS

(A) OPERATING LEASE COMMITMENTS

The Economic Entity has no outstanding operating lease commitments (2017: nil).

(B) CAPITAL COMMITMENTS

The Economic Entity has no outstanding capital commitments (2017: nil).

(C) SUPERANNUATION

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

24. 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 each of East 72 Investments Pty Limited and Stiletto 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 \$60,000 (2017: \$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 9 - 11 of this Financial Report.

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

24. RELATED PARTY TRANSACTIONS (continued)

Other related party transactions

In the year to 30 June 2018 – nil.

In the year to 30 June 2016, 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 was unsecured, had 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 was 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.

	Economic Entity	
	2018	2017
	\$	\$
25. CASH FLOW INFORMATION		
(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT/(LOSS) AFTER TAX		
Operating profit/(loss) after income tax	(664,715)	197,437
Cash flows excluded from profit/(loss) attributable to operating activities:		
Purchases of equity investments	(4,906,635)	(1,951,665)
Sales of equity investments	3,528,834	322,720
Investment in derivatives account	(760,146)	(404,000)
Tax payment arising from acquired subsidiary	(81,114)	-
Non cash flows in operating profit/(loss):		
Change in fair value of equity investments retained	(146,444)	(145,542)
Change in fair value of derivative investments retained	350,751	(25,469)
Profit on sale of equities	(361,851)	(52,556)
Loss/(profit) on sale of derivatives	654,554	(157,571)
Other amounts capitalised to derivative account	388,280	103,961
Gain on bargain purchase	(13,300)	-
Changes in assets and liabilities net of acquisitions:		
(Increase)/decrease in deferred tax balances	(333,847)	45,038
(Increase)/decrease in sundry debtors & prepayments	(11,013)	307
(Decrease)/increase in trade creditors & accruals	9,510	7,716
Cash flows (used in)/provided by operations	(2,347,136)	(2,059,624)
(B) LOAN FACILITIES		
Margin lending facilities	2,500,000	1,500,000
Related party loan facilities	-	-
Amount utilised	(1,362,593)	(321,975)
Unused loan facilities	1,137,407	1,178,025

At 30 June 2018, controlled entity E72IPL had a margin lending facility with a maximum limit of \$1,500,000 (2015: \$1,500,000) with a controlled entity of an ASX listed bank. The facility is secured by mortgage over the CHES sponsored equity investments held within the facility. At 30 June 2018, controlled entity Stiletto had a margin lending facility with a maximum limit of \$1,000,000 (2017: n/a) with a controlled entity of an ASX listed bank. The facility is secured by mortgage over the CHES sponsored equity investments held within the facility.

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (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 was unsecured, had a limit of \$500,000 and expired on 30 June 2017. Interest was 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. Interest charged in the year to 30 June 2017 was nil. The facility has not been renewed given the increased availability of external capital.

26. EVENTS SUBSEQUENT TO REPORTING DATE

On 19 July 2018, the Company issued 450,000 shares at a price of \$0.30 per share to raise \$135,000.

27. COMPANY DETAILS

The Registered Office and Principal Place of Business of the Economic Entity is Suite 112, 120 Bourke Street, WOOLLOOMOOLOO, NSW 2011

28. 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 AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

		Economic Entity	
		2018	2017
		\$	\$
29. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT			
(A) FINANCIAL ASSETS – SHARES IN LISTED CORPORATIONS			
The Economic Entity's shares in listed corporations comprise the following interests:			
Company	Industry	Value	Value
8IP Emerging Companies	Small company closed end LIC	130,200	-
Allergan	Pharmaceutical	45,053	-
ANZ Banking Group	Banking	56,480	-
Associated Capital Group	Investment/funds management	256,384	88,427
Australian Rural Capital	Agribusiness investment	336,982	136,799
Beadell Resources	Gold mining	-	43,000
Cabcharge Limited	Taxi management systems	256,800	75,900
Commonwealth Bank	Financial services	51,009	-
Consolidated Comms	Broadband provider	83,502	-
DHT Holdings	Oil tanker owner	95,055	-
Dreamscape Networks	Domain name sales & hosting	87,500	110,000
E-L Financial Corp	Financial services	75,839	-
Ellerston Asian Investments	Asian equity closed end LIC	-	56,100
Frontier Digital Ventures	Digital business investments	-	30,000
Fujitsu Frontech	Financial machines	36,762	-
Grays Ecommerce Limited	Business Auctions	-	163,239
Gowings Limited	Investment	173,400	-
Janus Henderson Group PLC	Funds management	166,560	-
IDT Australia	Pharmaceutical	240,120	-
Investsmart Group	Financial services	34,200	-
Jeffries Financial (ex Leucadia)	Conglomerate	92,177	-
Joban Kaihatsu	Construction	45,221	-
Kogan.com	On-line commerce/MVNO	-	66,800
Lancashire Holdings PLC	Reinsurance	50,553	-
McGrath Holdings	Real estate agency sales	150,000	64,400
McPhersons Limited	Consumer products	-	32,500
Medical Australia Limited	Medical products distribution	-	18,400
Michael Hill International	Jewellery	116,400	-
Mitula Group	On-line real estate	-	58,200
Monash Absolute	Small company closed end LIC	205,000	-
Murray Goulburn Unit Trust	Capital provider to dairy co-op	-	25,800
Namoi Cotton Co-operative	Cotton ginning & related	280,800	-
National Aust Bank	Banking	59,206	-
News Corp	Media conglomerate	137,150	54,750
NZME Limited	NZ based media	149,150	62,300
Pental	Consumer products	-	51,470
Pershing Square Holdings	Closed end global investment	167,680	-
PM Capital Global Opp Fund	Global equity closed end LIC	299,250	110,500
Prime Financial Group	Wealth management & planning	237,500	238,229
Prime Media Group	Regional media	145,000	-
Ramelius Resources	Gold mining	116,000	-
Rights and Issues Inv Trust PLC	Closed end UK investment trust	80,956	-
Scottish Pacific Group	Non-bank commercial finance	-	40,650
Seven West Media	Media	231,000	81,787
Shire PLC	Pharmaceutical	98,868	-

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

		Economic Entity	
		2018	2017
		\$	\$
29. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)			
(A) FINANCIAL ASSETS – SHARES IN LISTED CORPORATIONS (continued)			
Company	Industry	Value	Value
Simonds Group	Housebuilding	-	53,512
Treasure ASA	Investment	64,635	49,864
vanEck Gold Miners ETF	Gold mining Investment	60,289	-
vanEck Junior Gold Miners ETF	Gold mining Investment	44,183	-
Vealls Limited	Investment	-	80,695
Virtu Financial	Market making	289,781	-
Vulcan International	Rubber products/investment	46,007	-
Watermark Global Leaders	Global equity closed end LIC	155,550	-
Webster Limited	Agribusiness, water	239,800	68,011
Wells Fargo	Financial services	142,327	-
Westaim	Insurance holding company	49,635	-
Westgold Resources	Gold & copper mining	249,750	92,000
Wm. Wilhelmsen Holding	Shipping based holding co.	67,618	38,566
Yellow Brick Road	Financial services franchisor	232,050	-
TOTAL		6,429,382	1,991,899

(B) 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
A P Moeller Maersk	Shipping/oil	151,464	78,485
Acacia Research	Patent ownership	-	29,196
AerCap Holdings	Aircraft leasing	248,764	96,603
American Express Inc	Consumer credit	-	71,204
AMP Limited	Financial Services	178,000	51,900
Banca Sabadell SA	Banking	-	26,438
Bank of America	Financial Services	95,224	15,774
Barclays	Banking	121,327	61,814
Bollore	Conglomerate	75,419	-
British Empire Secs & Gen Trust	Investment trust	-	23,205
Credit Suisse Group	Financial services	-	94,068
Crude Oil	commodity contract	-	97,469
Dell Inc	VM Ware tracker stock	-	55,627
DHT Holdings	oil tanker owner	-	26,983
EasyJet PLC	Airline	-	69,055
Exor SpA	Holding company/reinsurance	291,276	105,640
Fairfax Financial Holdings	Insurance/reinsurance	-	67,658
Fairfax Media	Media/real estate	-	44,000
Fiat Chrysler	Automobile manufacture	-	68,690
Financiere de L'Odet	Intermediate holding co.	220,445	104,325
Flow Traders	ETF market making	-	43,067
Foxtons PLC	real estate agency	57,311	91,129
Frontline	oil tanker owner	-	14,679
Grand City Properties	Residential real estate	-	36,503

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

		Economic Entity	
		2018	2017
		\$	\$
29. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)			
(B) FINANCIAL ASSETS – DERIVATIVE SECURITIES HELD (continued)			
Company	Industry	Value	Value
Greenlight Capital Re	Reinsurance	143,899	40,767
Hansa Trust PLC	Investment trust	113,580	45,986
ING Groep	Banking	122,522	67,321
Janus Henderson Group	Investment management	-	86,800
KKR and Co LP	Private equity	-	38,700
Lloyds Banking Group	Banking	151,779	84,032
Man Group PLC	Alternative inv. management	-	-
News Corp B	Media conglomerate	-	18,400
Owens Illinois	Packaging	-	43,547
Pershing Square Holdings	Hedge fund investment co.	-	58,517
Radisson Hospitality AB	Hotel management	108,427	-
Rubicon Project (The)	Real time ad bidding	-	33,420
Sanddtorm Gold	Precious metal royalties	60,803	-
Shire PLC	Pharmaceutical	-	57,425
Tanker Investments Ltd	Oil tanker owner	-	36,619
Third Point Re	Reinsurance	33,779	36,151
Twitter	Social media	-	34,857
Virgin Australia Holdings	Airline	-	16,000
Virtu Financial	Market making	-	103,283
Vornado Realty Trust	Real estate ownership	169,793	-
Wellard	Animal freight	-	57,750
Wells Fargo	Banking	-	72,055
WPP plc	Advertising & marketing	-	43,740
TOTAL		2,343,808	2,348,882

(C) 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	114,836	-
Afterpay Touch	Consumer credit	46,750	-
Apple	Consumer electronics	250,115	93,641
Bank of the Ozarks	Banking	-	60,949
BHP Billiton	Diversified resources	118,685	58,200
Blue Sky Alternative Investments	Alternative investment mgt	-	43,654
Caterpillar	Capital equipment	128,319	139,740
Computershare	Registry & mortgage servs	27,645	21,210
Corporate Travel Management	Travel services	221,130	70,999
Dexus Property Group	Office REIT	-	47,400
Ecplix Group	Fleet leasing & services	-	80,482
EuroStoxx50 index	European large cap index	-	411,449
FTSE 100 index	UK large cap index	-	21,988
GUD Holdings	Auto components, pumps	-	38,730
Hanesbrands	Apparel	-	22,588

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Economic Entity
2018 2017
\$ \$

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

(C) FINANCIAL LIABILITIES – DERIVATIVE SECURITIES SOLD SHORT FOR FUTURE PURCHASE (continued)

Company	Industry	Value	Value
Hormel Foods	SPAM & processed foods	-	22,178
Istoox Iboxx High Yield ETF	Low rated bond investor	-	80,441
Macquarie Group	Financial services	105,103	
Magellan Financial	Investment management	-	34,608
McCormick and Co	Spices, foods	-	38,040
NASDAQ 100 index	US equity index	845,700	135,746
Nine Entertainment	FTA television network	49,600	
Perpetual Limited	Investment management	-	106,153
Pioneer Natural Resources	Oil and gas producer	-	-
QBE Insurance	Insurance/reinsurance	-	23,620
Ralph Lauren Corp	Designer fashion	50,961	
S&P/ASX 200 index	Australian equity index	-	1,360,860
S&P500 index	US equity index	1,931,534	1,018,451
S&P/ASX 200	Australian equity index	199,328	-
Shopify	Online shopping	49,281	-
Simon Property Group	Shopping mall REIT	-	21,035
Singapore Telecom	Telecommunications	-	55,136
SS&C Technologies	Inv. management software	-	24,974
Telstra Limited	Telecommunications	-	64,500
Tesla Inc	Solar/electrical vehicles	347,536	105,803
Wall Street index	Dow Jones IA Derivative	-	213,850
WD40 Inc	Lubricant	-	57,399
Wesfarmers Limited	Conglomerate	-	60,180
TOTAL		4,486,523	4,534,004

(D) FINANCIAL LIABILITIES – EQUITY SECURITIES SOLD SHORT FOR FUTURE PURCHASE

Company	Industry	Value	Value
Energous Corp	Battery technology	30,056	-
Herbalife	MLM for speciality products	145,170	-
Intelsat SA	LEO satellites/spectrum	38,268	-
Netflix Inc	Subscription entertainment	105,778	-
TOTAL		319,272	-

(E) RISK MANAGEMENT - GENERAL

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.

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

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

(E) RISK MANAGEMENT - GENERAL

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.

(F) 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 29J below.

(G) 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 a loan facility provided by a margin loan.

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

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

(G) LARGELY CONTROLLABLE RISKS – INTEREST RATE RISK AND EXPOSURES

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 \$62,261 (2017: \$39,618).

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 \$
ECONOMIC ENTITY 2018					
Financial assets:					
Cash and cash equivalents	1.39%	-	1,135,481	-	1,135,481
Trade and other receivables	-	-	-	20,672	20,672
Investments	-	-	-	11,440,376	11,440,376
		-	1,135,481	11,461,048	12,596,529
Financial Liabilities:					
Derivative account liabilities	1.45%	-	4,486,523	-	4,486,523
Margin and broker borrowings	4.36%	-	2,875,065	-	2,875,065
Securities sold short	-	-	-	319,272	315,272
Trade and other payables	-	-	-	39,038	39,038
		-	7,361,588	358,310	7,719,898
Net Financial Assets/(Liabilities)		-	(6,226,107)	11,102,738	4,876,631
ECONOMIC ENTITY 2017					
Financial assets:					
Cash and cash equivalents	1.38%	-	894,202	74,426	968,628
Trade and other receivables	-	-	-	374	374
Investments	-	-	-	7,126,528	7,126,528
		-	894,202	7,201,328	8,095,530
Financial Liabilities:					
Derivative account liabilities	2.00%	-	4,534,004	-	4,534,004
Borrowings	5.85%	-	321,975	-	321,975
Trade and other payables	-	-	-	24,593	24,593
		-	4,855,979	24,593	4,880,572
Net Financial Assets/(Liabilities)		-	(3,961,777)	7,176,735	3,214,958

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

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

(H) 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 2018 is \$9,285 (2017: \$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.

(I) 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 14-18) are equal to their carrying value and will mature within twelve months of the reporting date.

(J) 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 AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

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

(J) 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 2018 and 30 June 2017, the portfolio exposures exhibited the following characteristics in this respect:

As at 30 June 2018	Exposure	Capital	Ratio	Maximum
Gross long and short exposures (physical & derivative)	\$13,578,985	\$4,882,442	2.78:1	6:1
Gross long exposures (physical and derivative)	\$8,773,190	\$4,882,442	1.80:1	4:1
Gross short exposures (derivative)	\$4,805,795	\$4,882,442	0.98:1	4:1
Single largest non-index long position	\$336,982	\$4,882,442	6.4%	6%
Single largest non-index short position	\$347,537	\$4,882,442	7.1%	6%
				6:1
As at 30 June 2017	Exposure	Capital [†]	Ratio	Maximum
Gross long and short exposures (physical & derivative)	\$8,874,785	\$3,214,958	2.76:1	6:1
Gross long exposures (physical and derivative)	\$4,340,781	\$3,214,958	1.35:1	4:1
Gross short exposures (derivative)	\$4,534,004	\$3,214,958	1.41:1	4:1
Single largest non-index long position	\$238,229	\$3,214,958	7.4%	6%
Single largest non-index short position	\$139,740	\$3,214,958	4.3%	6%

[†] calculated before tax liabilities/assets

At 30 June 2018, the economic entity had two long positions (Australian Rural Capital Limited; PM Capital Global Opportunities Fund Limited) (2017: one – Prime Financial Group Limited) and one short position (Tesla Inc) (2017: nil) 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 2018, there would be a corresponding impact, assuming perfect correlations between the securities, on pre-tax profit of \$396,740 (2017: loss of \$19,322, since at 30 June 2017, the company had a net short position in equities).

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

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

(K) RECONCILIATION OF NET FINANCIAL ASSETS TO NET ASSETS

	Economic Entity	
	2018	2017
	\$	\$
Net Financial Assets as above (note 29G)	4,876,631	3,214,958
Non financial assets and liabilities:		
Deferred tax assets	296,374	6,265
Deferred tax liabilities	(77,475)	(51,303)
Net assets per statement of financial position	5,095,530	3,169,920

(L) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The group has adopted 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).

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 2018	Level 1	Level 2	Level 3	TOTAL
	\$	\$	\$	\$
Financial assets at fair value through profit or loss:				
Shares in other corporations	6,429,382	-	-	6,429,382
Shares in other corporations sold short	(319,272)	-	-	(319,272)
Long derivative exposures	-	2,343,808	-	2,343,808
Short derivative exposures	-	(4,486,523)	-	(4,486,523)
TOTAL	6,110,110	(2,142,715)	-	3,967,395
30 June 2017	Level 1	Level 2	Level 3	TOTAL
	\$	\$	\$	\$
Financial assets at fair value through profit or loss:				
Shares in other corporations	1,991,899	-	-	1,991,899
Long derivative exposures	-	2,348,882	-	2,348,882
Short derivative exposures	-	(4,534,004)	-	(4,534,004)
TOTAL	1,991,899	(2,185,122)	-	(193,223)

EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

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

(L) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

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 30 June		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2018	2017				
Held for trading financial assets (see notes 11, 29A)	Listed equity securities:		Level 1	Quoted bid prices in an active market	N/A	N/A
	\$6,429,382	\$1,991,889				
Held for trading financial liabilities (see notes 12, 29D)	Listed equity securities:		Level 2	Third party provided prices based on active market	N/A	N/A
	\$319,272	\$ -				
Held for trading derivative financial assets (notes 11, 29B)	Contracts for difference:		Level 2	Third party provided prices based on active market	N/A	N/A
	\$2,343,808	\$2,348,882				
Held for trading derivative financial liabilities (notes 12, 29C)	Contracts for difference:					
	\$4,486,523	\$4,534,004				

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 and 29 to the financial statements.

EAST 72 HOLDINGS LIMITED

DIRECTORS DECLARATION

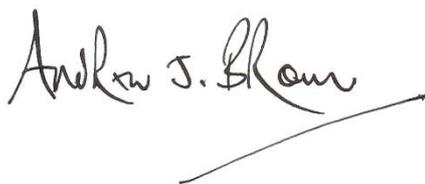
In accordance with a resolution of the Board of directors of East 72 Holdings Limited, we declare that:

- (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 2018 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 9 to 11 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



AJ Brown
Director

Date: 9 August 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EAST 72 HOLDINGS LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of East 72 Holdings Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion:

- a) The financial report of East 72 Holdings Limited is in accordance with the Corporations Act 2001, including:
 - i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
 - ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

Independence

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

1. Valuation & Existence of Securities Portfolio

Why significant

As at 30 June 2018, a significant proportion of the consolidated entity's assets (89%) and liabilities (62%) are comprised of leveraged equities and derivative securities. The fair value of financial assets is \$11,440,376 (2017: \$7,126,528) and financial derivative liabilities are \$4,805,795 (2017: \$4,534,004) as disclosed in notes 11 and 12 of the financial report. As noted in note 1(f) of the financial report, securities are recognised initially at cost on trade date and are subsequently re-measured at fair value through the profit and loss in accordance with AASB 139.

Based on the above, we have considered the valuation, completeness and existence of financial assets and financial liabilities to be a Key Audit Matter.

How our audit addressed the key audit matter

We used independent sources to perform substantive testing on a sample of financial assets and financial liabilities. This included:

- Agreeing the quantity of securities held by the consolidated entity as at 30 June 2018 and recognised in the financial report to external independent trading statements held in the consolidated entity's name;
- Confirming the market value as at 30 June 2018 using trading websites such as the Australian Securities Exchange ("ASX"), New York Stock Exchange ("NYSE") and London Stock Exchange ("LSE"), and Euronext; and
- Reviewing reconciliations and supporting documentation to confirm market movements. This included calculating the gain/loss on a sample of shares sold by the consolidated entity during the year.

We also assessed the appropriateness of the related disclosures in Notes 11, 12, 14 and 29.

Based on these procedures, we are satisfied the consolidated entity's financial assets and financial liabilities are not materially misstated.

2. Acquisition of Stiletto Investments Pty Limited

Why significant

As described in Note 21, on 26 September 2017, the consolidated entity acquired 100% of Stiletto Investments Pty Ltd ("Stiletto"). The consideration paid by the consolidated entity included the issue of 6,361,472 East 72 Holdings Limited shares, a cash payment of \$24,398 and the cancellation of 400,000 East 72 Holding Limited shares held by Stiletto. The Group recognised a gain on bargain purchase of \$13,300.

Based on the above, we have considered the acquisition of Stiletto to be a Key Audit Matter.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Obtaining a detailed understanding of the acquired business;
- Reviewing the accounting entries associated with the acquisition;
- Assessing the methodology applied to recognise the fair value of identifiable assets and liabilities; and
- Reviewing the related financial statement disclosures for the acquisition with the relevant financial reporting standards.

Based on these procedures, we are satisfied that materially, the acquisition of Stiletto has been properly accounted for and disclosed appropriately.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of East 72 Holdings Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



PKF
CHARTERED ACCOUNTANTS



MARTIN MATTHEWS
PARTNER

9 AUGUST 2018
NEWCASTLE, NSW

EAST 72 HOLDINGS LIMITED.

OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2018

A. Range of Shares Issued as at 27 July 2018

As at 27 July 2018 there were 17,317,900 shares held by 106 shareholders, all of which were quoted on the NSXA.

Range	Holders	Shares held	% of capital
1-1,000	14	1,652	0.0
1,001-5,000	3	6,178	0.0
5,001-10,000	26	175,291	1.0
10,001-100,000	26	872,178	5.0
100,001-9,999,999,999	37	16,262,601	94.0
Totals	106	17,317,900	100.0

B. Top Twenty shareholders as at 27 July 2018

Holder	Shares	%
Donna Ann Brown	2,198,069	12.69%
J & S Rayner Pty Ltd <Rayner Super Fund A/C>	1,625,778	9.39%
Abron Investments Pty Limited	1,003,764	5.80%
Andrew John Brown	979,713	5.66%
John Gordon Rayner & Sally Anne Rayner	899,523	5.19%
WSB Super Pty Limited <WSB Dist Super Fund A/C>	811,402	4.69%
Phillip Jason Stanway & Linda Jean Stanway <P & L Stanway Super Fund A/C>	763,466	4.41%
Pax Pasha Pty Limited	761,904	4.40%
Stephen Murray Roberts & Megan Roberts <Dover Downs Super Fund A/C>	680,667	3.93%
David John Gallop & Katherine Mary Gallop <Gallop Super Fund A/C>	671,428	3.88%
Laufmann Longterm Investments Pty Ltd <Laufmann Super Fund A/C>	452,381	2.61%
Tbatch Pty. Limited <Therese Batchelor Super Fund>	449,577	2.60%
Clapsy Pty Limited <Baron Super Fund A/C PY>	430,700	2.49%
John Charrington & Pamela McBride <Islington Retire Fund A/C>	350,000	2.02%
Kew Superannuation Fund Pty Ltd <KW Super Fund A/C>	285,715	1.65%
TCWH Pty Ltd <TCWH Super Fund A/C>	285,715	1.65%
Patrick James Dymock Elliott	284,333	1.64%
Katherine Mary Gallop	250,000	1.44%
Lauren Julia Brown	217,116	1.25%
Ruck & Maul Pty Ltd <John Eales Family A/C>	214,287	1.24%
TOP 20 SHAREHOLDERS	13,615,538	78.62%

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 2018 (CONTINUED)

D. Substantial Shareholders

The company is aware of two shareholders who holds relevant interests of in excess of 5% of the company's ordinary shares as at 27 July 2018:

Holder	Shares held	% of capital
Andrew John Brown and Donna Ann Brown (relevant interests)	5,053,738	29.2%
John Gordon Rayner & Sally Anne Rayner (relevant interests)	2,525,301	14.6%