

EAST 72 HOLDINGS LIMITED



**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS**

30 JUNE 2019

## **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**

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<b>mail:</b>	GPO Box 4870, SYDNEY NSW 2001
<b>email:</b>	admin@east72.com.au
<b>website:</b>	<a href="http://www.east72.com.au">www.east72.com.au</a>

### **Share Registry**

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

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

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

### **Public listing**

National Stock Exchange of Australia - ticker code: E72

### **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 Australia Pty. Limited  
National Australia Bank Limited  
Saxo Capital Markets (Australia) Pty Limited  
Westpac Banking Corporation Limited

# CONTENTS

Executive Director's Review	2
Directors' Report	8
Corporate Governance Statement	14
Auditor's Independence Declaration	16
<b>Financial Statements</b>	
Statement of Profit or Loss and Other Comprehensive Income	18
Statement of Financial Position	19
Statement of Changes in Equity	20
Statement of Cash Flows	21
Notes to Financial Statements	22
Directors' Declaration	49
Independent Auditor's Report	50
Other Required Information	55

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

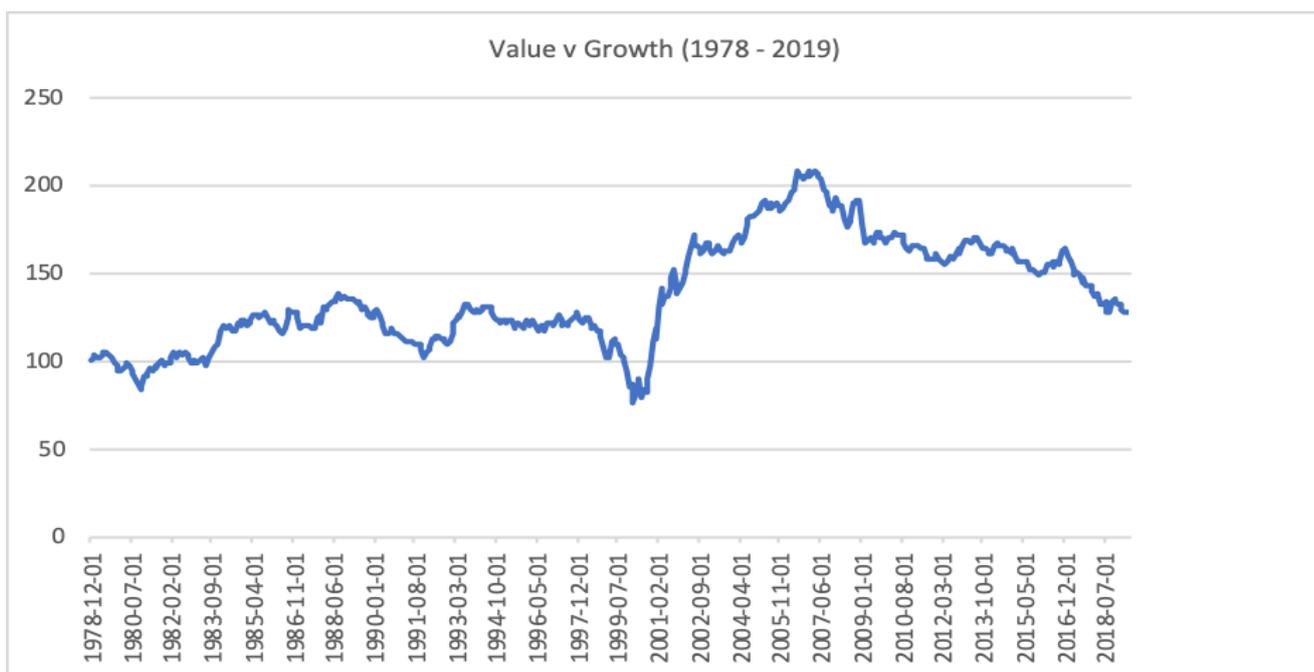
*"We could not do what we do at Markel without the right sort of owners of our business. To have a long term way of thinking. To have a long term way of running the business and not be caught up in the short term way of doing things requires an ownership group that's all on the same page and looks at the long term health of the business".*

Tom Gayner, Co-CEO, Markel Corp<sup>1</sup>

East 72 Holdings (East 72) was established as a closed end company where you can't redeem your shareholding from the entity's own funds, unlike a unit trust/open ended structure. If you are sufficiently disenchanted – and we acknowledge there are reasons that you may be – and wish to divest, it means selling your shares to someone else. Of course, if East 72 shares were to change hands at prices well below perceived value, the company itself may choose to purchase them through a buy-back mechanism.

If this sounds overly assertive, it emphasises that the reason we have this structure is to be able to ride out difficult periods like the one we are currently experiencing, without having to extinguish attractive positions to pay out investors. This is typically what happens in difficult times for certain types of professional money managers. Recently a number of experienced and credentialed Australian funds managers who invest using similar methodology to ourselves (a focus on valuation) have been forced to either close their doors or suffer significant fund outflows. Their travails, and ours, have come about because the prevailing theme in equity markets at present (especially in Australia) is absurdly low long term interest rates. Such low discount rates have vastly inflated the price of longer term income streams, led to a risky search for "yield" and encouraged overpricing of companies with perceived (and in many cases, likely) good growth profiles.

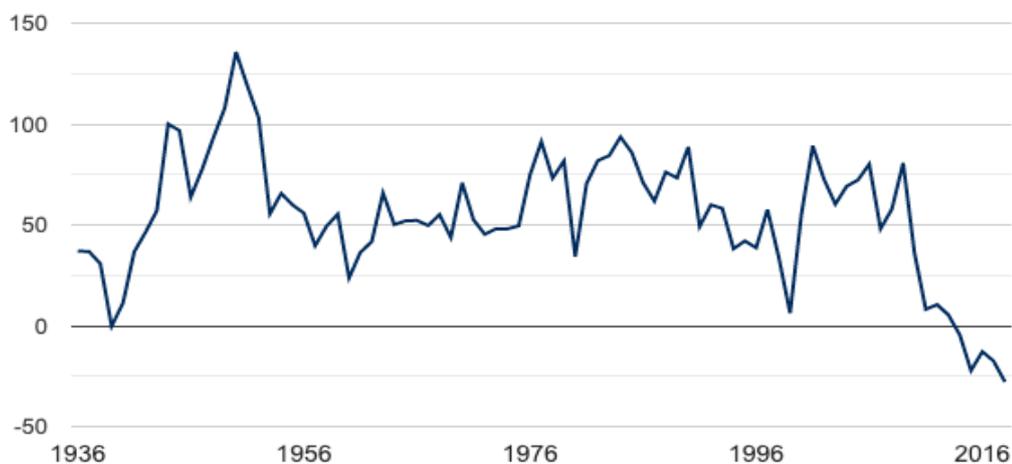
Conversely, investors have eschewed companies which have a potentially lower earnings growth profile, but where the pricing of this future income is extraordinarily low. So much so that the differential in pricing, short term and long term returns between "growth" companies and "value" stocks is at levels not seen for decades, and the returns made by growth investors have outstripped their value counterparts to a degree not seen since a period immediately before the "tech wreck" of early 2000.



Source: Federal Reserve Board of St. Louis – Russell 3000 Value v Growth index 31/12/78 =100

<sup>1</sup> Markel Corp "Omaha Brunch" introduction 5 May 2019.

Recent stronger returns from growth-type equities have distorted an even longer term pattern. The chart below looks at **rolling ten year percentage** return differences between “value” and “growth” within equity investing (the higher the line, the more “value” is outperforming, showing that “value” is on its worst “losing streak” since the 1930’s:



Source: Eugene Fama, Kenneth French, Schrodgers Investment Management

So why is this, and what may change it?

To be blunt, it’s unlikely (in the short term) to be interest rates. Short term interest rates appear set to move lower, in the absence of a major credit scare, whereby investors lose confidence in Government backed paper (not impossible). Long term bond rates seem unlikely to shoot upwards to cause a reassessment.

Of course a lower discount rate will inflate the value of a long term income stream. The deeper questions are:

- whether investors should simply use Government bond yields as their base starting point, to which they add a risk premium; should there be an additional risk premium given the sheer quantum of Government debt relative to the size of the economy in places like the US, Europe and Japan;
- notwithstanding the question above, such lower discount rates need to be applied more carefully to all but the highest quality “moated” companies where there is strong assurance of cash flow growth. We sense an increased propensity to apply these lower rates to all “growth” type companies, with little regard to the sustainability of cash flow going forward.

The more likely scenario to disrupt the freakish run in equity prices in 2019 – absent a “black swan” type event (China/Hong Kong?) - is earnings disappointment from the key companies driving this outperformance, which will cause a reassessment of their future prospects. In this respect, it should be noted that the innovation and applications undertaken by the technology giants – Amazon, Apple, Alphabet, Facebook and Microsoft - made possible by cloud based computing have driven a significant proportion of the returns in US S&P500 over recent years<sup>2</sup>. That multi-national regulators are taking a far closer look at these companies may be a catalyst for more subdued future earnings.

<sup>2</sup> Q2 2019 Market Commentary by Horizon Kinetics, manager of RENN Fund where East 72 has a holding, provides an exceptional exposition of this, and what could change. The piece is widely available on the net.

Perhaps a better sense of the susceptibility of markets at present to changes in future earnings can be seen in our basket of mid-cap short sale positions in Australia. Of the four companies<sup>3</sup> with earnings in our short basket at the time of writing, the average price-earnings multiple for FY2020 is 92x, falling to a mere 70x for FY2021, based on consensus estimates<sup>4</sup>.

As a guide, a company trading on 100x current year earnings will need to grow at a compound growth rate of 18.5% per annum **over a fifteen year period**, to match a slower 5%pa growth company trading at 15x current earnings – and arguably the latter is no bargain either.

These are extraordinary growth rates to bake into a company. As renowned hedge fund manager David Einhorn succinctly summarised in his latest letter:

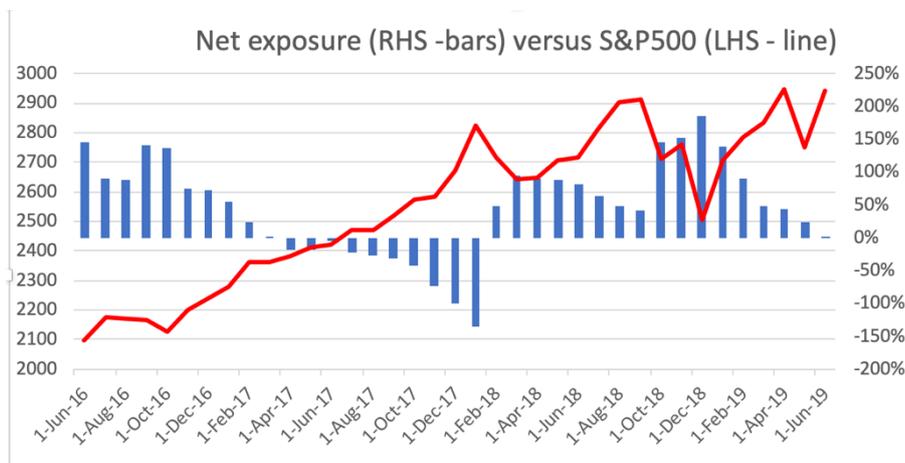
“ In our early training, there was a concept that news was priced in. This meant for high multiple stocks, expectations of good results were already baked into the share price, and for low-multiple stocks, bad results were already discounted. The high multiple would often provide a ceiling for prized stocks, such that it took genuine incremental news to drive them higher. Conversely, the low multiple on out-of-favour stocks would often provide a floor such that it took genuine bad news to drive them lower. In this market, floors and ceilings don't seem to exist.”<sup>5</sup>

What's crazy about these multiples are that a drop in the growth rate to 14.5% per annum – which is still exceptional - means that the growth company and slug company don't match price earnings ratios for a further five years – in year 20. That's nearly a whole generation where a high growth rate is already priced in. Growth companies trading on these type of ratings are massively sensitive to minor changes in the forecast long term growth profile, as well as discount rates. It's why they are highly volatile.

In a world of trade wars, high debt and increasing whim-based regulation – high risk – it is intuitively ludicrous to price companies this way.

*Long term thinking is still appropriate*

Every so often, an investment expert will opine that “buy and hold” – the process of selecting securities and retaining them for the long run - is dead. To suggest this is to deny the benefit of compounding of returns. However, we know in any long term time frame, there are times when prices and intrinsic value diverge due to speculation or “follow the crowd” FOMO type thinking (Australian residential property 2015-2017 anyone?).



We try to hedge against these periods when indices become overpriced by reducing our overall exposures, whilst maintaining our core stock holdings, subject always to ongoing analysis that the core investment thesis is still intact. Inevitably, we won't get the timing exactly right (notably in Q4 2018, going long too early, easily observed on the LHS chart), but assessing East 72's net exposures versus market levels shows there is a method to what we do.

<sup>3</sup> Altium, A2 Milk, Pro Medicus, Wisetech Global

<sup>4</sup> Source: Refinitive as at 23 July 2019

<sup>5</sup> Greenlight Capital Q2 2019 Letter

In reflecting on the longer term situation, it's instructive to look back at the private company which was the predecessor to East 72, Stiletto Investments Pty Limited, which deployed the same process, philosophy and strategy as East 72.

From inception on 13 August 2010 until the acquisition by East 72 on 26 September 2017, Stiletto returned 22.1% per annum compound return before tax (20.5% per annum after tax). However, that return was exceptionally lumpy. As a guide, four of the 29 full or partial quarters saw returns of minus 10% or more, including a 23.4% quarterly loss in the period to 30 June 2013; of note was the fact the Australian ASX 200 index fell only 4.1% in that quarter. Conversely, we saw eight quarters with returns of over 10%.

So the returns on a quarter to quarter basis may have been volatile, but over the longer term, the strategy proved highly effective. To gain a sense of the fact East 72 does hold positions for a while, providing the thesis behind them continues to stack up, it's instructive to go back and look at our portfolio in June 2016 and 2017.

We still hold eight of a 26 holding "long" portfolio from June 2016<sup>6</sup>; moreover, from a year later, of our 21 largest long holdings in June 2017, we still hold twelve<sup>7</sup>, had two<sup>8</sup> taken over, figured the investment thesis had changed on four of them, and sold the remaining three for valuation reasons.

We have two effective positions – Webster and Australian Rural Capital/Namoi Cotton Limited – which necessitate long term thinking. They are agricultural or "agricultural infrastructure" assets which are impacted over shorter term periods by climate, but have leading positions in their respective niches. At the present time, Australia's drought conditions are inhibiting the planting of certain crops, not least cotton. In certain regions, notably areas in Northern NSW, rainfall levels are the lowest in over 120 years<sup>9</sup>.

So why invest in these type of companies? Two key reasons: they represent genuine long term assets which have significant barriers to replacement (or are irreplaceable) and when times are good, they earn very high returns, relative to the prices we have paid for their equity. For example, cash flow from Namoi's ginning business (before head office expenses) in the two years to February 2019 is more than the current equity value of the entire company. It obviously won't be in the next two.

Our short positions also reflect a thought process beyond the next earnings report.

One of our better short-sale performers in financial year 2018, Blue Sky Alternative Investments (Blue Sky), took over eighteen months to gestate, and saw the shares at one stage appreciate 75% above the level where we commenced shorting the stock. As with building a long position, you potentially start slowly and in this case, if the shares move upward (against you) average up, where possible, in a mirror image of "averaging down". Blue Sky has now entered receivership, but for a period of time, the company was the hottest security around, with wildly optimistic valuation assessments.

Blue Sky had a series of "red flags" (profit/cash flow divergence, high price of investment acquisitions, questions over disclosure of funds managed) as well as crazy pricing of its equity. Our June 2019 basket of short sale mid-cap stocks in Australia – discussed previously - have fewer "red flags" but have wild valuations, the like of which I have not witnessed in over thirty-five years of investing in Australia.

We first shorted Tesla in April 2017 (at ~US\$300/share) and have held a position ever since; we have occasionally traded around the position given its size (since we feel the proposition is compelling) and propensity for volatility. Whilst there are minor changes in the story as the company attempts to move to a sustainable position, there have been few deviations in our core thesis. We view Tesla equity as not worth anywhere near the prevailing price of US\$41 billion, given required capital expenditure, volatile cash flow, working capital shortfalls, high debt and a low valued sector.

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<sup>6</sup> A2B Limited, Janus Henderson, Webster Limited, ING Groep, Lloyds Banking Group, KKR, EXOR and AerCap Holdings

<sup>7</sup> The eight noted above in footnote 2 except Webster & KKR, plus Virtu Financial, SevenWest Media, Dreamscape Networks, Wells Fargo, Cie Financiere de L'Odet, Australian Rural Capital and PM Capital Global Opportunities Fund.

<sup>8</sup> Vealls Limited and Grays e-commerce

<sup>9</sup> Priest first half of year in Moree district for 120 years "The Land" 28 June 2019

## *2019 results in context*

Why quote from Markel at the top of this piece? Markel (not owned)<sup>10</sup> is a US based insurer and reinsurer with a marvellous track record of compounding book value (which it now reasonably now feels is not the most appropriate measure of its progress) by 11% per annum after tax over a 20 year period. It has a tremendous long term focus, but has also had its storms over the past two years – literally (Hurricanes Harvey, Irma and others plus Californian wildfires) and figuratively (Insurance Linked Securities losses and management changes).

So have we.

After the disappointing FY2018, we compounded this with a poor FY2019. Some of the negative components of the 2019 financial year were due to “market” factors – discussed above – but we did make some mistakes.

In financial 2019, we can be criticised for:

- increasing our exposure too quickly after the sell-off in markets in October and November 2018, (see prior chart on page 4) and therefore held too aggressive a long position in December 2018 when markets fell around 10%, rather than being able to take full advantage of it;
- reducing our long exposures too quickly in the early months of 2019 (also see prior chart) on page 4; and
- underestimating some of the impacts of market, regulatory and technological change on some of our companies, notably in Australia, especially on AMP.

At this juncture, whilst their FY2019 share price performance has been poor, we feel the jury is out on some of the smaller, niche Australian shares we own, such as Yellow Brick Road or Namoi Cotton. It's worth noting that we made an excellent return on the domain name seller and hoster, Dreamscape Networks, where we bought close to half of our peak holding at below 9c per share between December 2018 and March 2019; the company is now being taken over at 27c per share. The returns in these situations can be event driven and lumpy, but will eventuate if our theses are correct.

### *Revelry before Waterloo?*

Environments such as the one currently prevailing have a habit of making investors do things they will later regret. Most obviously, people are happy to take on far more risk than they normally be prepared to do to obtain “yield”; smart investment bankers know this, and so devise financial instruments where a hefty component of “yield” is not income, but a return of the investors capital.

Of course it's tempting to look for yield when approximately \$13trillion of global bonds actually have a negative yield at the present time. But being patient in using funds should result in the ability to glean a more significant capital gain (and potential income yield on say a distressed investment property) as the bubble bursts.

The financial world is undergoing a monetary experiment nearly like no other with modern monetary theory, central banks purchases of financial assets designed to keep interest rates low and get folks to assume risk. All it has done is inflate the value of financial assets thereby widening inequality in many countries. All on top of ever increasing piles of Government debt.

I say nearly, since we have seen central bankers and their academic backers go crazy in the past with new experiments. Who can forget Iceland where a country of 300,000 ended up with their three privatised banks holding US\$140billion of assets (>\$465,000 per capita) grown largely over a three and a half year period, with support at the time from Columbia Business School professors and others?<sup>11</sup>

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<sup>10</sup> East 72 at the current time and at 30 June 2019 does have a relevant interest in Markel's closest cohort stock, Alleghany

<sup>11</sup> Iceland's predicament in 2008 is enunciated by Michael Lewis in his brilliant Vanity Fair article “Wall Street on the Tundra” (April 2009) as well as the film “Inside Job” which highlights the role of paid authors espousing Iceland in 2006

One of my favourite books about equity market bubbles is John Brooks “The Go-Go Years: The drama and crashing finale of Wall Street’s Bullish 1960’s”<sup>12</sup>. Acknowledged it’s from a different era, where inflation was starting to threaten and interest rates were rising, but the psychology of what was happening is hard not to relate to the present day.

Three broad phenomena are discussed in the spectacular chapter XI, superbly titled “Revelry before Waterloo: the time of the Great Garbage Market” and can be noted as:

- the flourishing of creative accounting;
- close proximity of the US President of the time (latterly Nixon) to Wall Street; and
- new listings.

We have touched on creative accounting in our recent quarterly report (Quarterly Report #12: June 2019), whereby lowly valued interest income is transitioned to perceived annuity stream; we will leave you to mull over the relationship between White House and Wall St.

However, as Brooks presciently notes:

“If one fact is glaringly clear in stockmarket history, it is that a new issue craze is always the last stage of a dangerous boom”

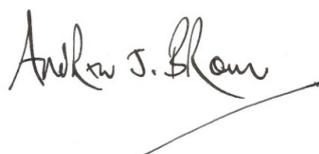
Whilst there has been angst about the disappearance of companies from the publicly listed market to private equity – who have massive “war chests”<sup>13</sup> – perhaps the bigger worry should be their replacements: large unprofitable “technology unicorns” whereby some four in five coming to the market are loss-making<sup>14</sup>.

### *Outlook*

We are once again in a very cautious place, with nil/negative net exposure to equities, and will hopefully benefit in a better fashion than in Q4 2018 from a dislocation in markets, through short positions in indices, excessively priced growth companies and concept stocks; conversely, we hold a number of long positions in stocks we regard as being under-priced and with opportunities to unlock such value.

We fully acknowledge East 72 is taking longer to gestate than we had previously hoped, in what we view as bizarre equity market conditions and appreciate your ongoing support.

Sincerely,



Andrew Brown – Executive Director

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<sup>12</sup> John Wiley (republished 1999)

<sup>13</sup> Blackstone and KKR alone have last disclosed US\$208billion of “dry powder” across all asset classes

<sup>14</sup> “Loss making tech companies are floating like its 1999” Financial Times 16 June 2019

## 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 2019.

### 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 38 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 2019 (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>
Wayne Adsett	43,188	50,000
Andrew Brown	5,259,171	-
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 2019 was (\$936,761) (2018: loss of \$664,715). No dividends were paid or declared during the year.

### TRADING IN COMPANY SHARES

During the 12 months to 30 June 2019 and to 30 June 2018, the Company's shares were listed on the National Stock Exchange of Australia ([www.nsx.com.au](http://www.nsx.com.au)). A single trade on 26 July 2018 of 40,000 shares at \$0.30 was made during the year to 30 June 2019; there were no trades in the year to 30 June 2018.

### REVIEW OF OPERATIONS

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

### SIGNIFICANT EVENTS DURING THE YEAR

In July 2018, the Company issued 450,000 new shares via placement to raise \$135,000. In August 2018, the Company issued a further 1,832,100 new shares via placement to raise \$549,630 before costs.

### 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 2019 was:

	Directors' Meetings held during period in office	
	No. of meetings eligible to attend	No. of meetings attended
Wayne Adsett	5	5
Andrew Brown	5	5
Richard Ochojski	5	5

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (continued)

### 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 2019 and 30 June 2018

	<i>Short-Term Benefits</i>			<i>Post Employment Benefits</i>		<i>Share Based Payments</i>	<b>Total</b>
	<b>Salaries &amp; fees</b>	<b>Cash bonuses</b>	<b>Non Monetary Benefits</b>	<b>Super-annuation</b>	<b>Other</b>	<b>Options</b>	
<b>2019</b>							
Wayne Adsett	20,000	-	-	-	-	-	20,000
Andrew Brown	20,000	-	-	-	-	-	20,000
Richard Ochojski	20,000	-	-	-	-	-	20,000
<b>TOTAL</b>	<b>60,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,000</b>
<b>2018</b>							
Wayne Adsett	20,000	-	-	-	-	-	20,000
Andrew Brown	20,000	-	-	-	-	-	20,000
Richard Ochojski	20,000	-	-	-	-	-	20,000
<b>TOTAL</b>	<b>60,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,000</b>

#### (C) Specified Executives Remuneration for the years ended 30 June 2019 and 30 June 2018

	<i>Short-Term Benefits</i>			<i>Post Employment Benefits</i>		<i>Share Based Payments</i>	<b>Total</b>
	<b>Salaries &amp; fees</b>	<b>Cash bonuses</b>	<b>Non Monetary Benefits</b>	<b>Super-annuation</b>	<b>Other</b>	<b>Options</b>	
<b>2019</b>							
Marc Lerner <sup>1</sup>	44,063	-	-	4,406	-	-	48,469
<b>TOTAL</b>	<b>44,063</b>	<b>-</b>	<b>-</b>	<b>4,406</b>	<b>-</b>	<b>-</b>	<b>48,469</b>
1: Investment Analyst, commenced 11 February 2019							

There was no specified executive remuneration in the period from 1 July 2017 to 30 June 2018

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (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

Marc Lerner, Investment Analyst, the sole Specified Executive, is employed under an indefinite contract subject to one month's notice period, subject to the usual termination conditions.

#### (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 1/7/18	Received as Remuneration	Options Exercised	Net change - other <sup>a</sup>	Balance at 30/6/19
Wayne Adsett	43,188	-	-	-	43,188
Andrew Brown	4,953,738	-	-	305,433	5,259,171
Richard Ochojski	7,423	-	-	-	7,423
TOTAL	5,004,349	-	-	305,433	5,309,782

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

#### (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 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Sales Revenue	898,645	14,988	468,571	2,065,662	995,655
EBITDA	182,793	(111,071)	310,478	(720,127)	(1,109,220)
EBIT	181,087	(111,071)	310,478	(720,127)	(1,116,009)
Profit/(loss) for the year	(179,773)	(111,071)	197,437	(664,715)	(936,761)

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (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 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Share price (year end)	The company's shares did not trade in these financial years		\$0.35	No trade	\$0.30
Dividends paid (\$000's)	-	-	-	-	-
Basic earnings per share (cents) <sup>1</sup>	(108.0)	(30.9)	4.8	(4.8)	(5.0)

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**

Nil

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

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

### **NON AUDIT SERVICES**

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

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

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

Dated at Sydney this 12th day of August 2019.

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 2019

## 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](http://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 2019 (continued)**

### **AUDIT COMMITTEE:**

The Group has not established an audit committee at 30 June 2019 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 2019, 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 2019, 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

12 AUGUST 2019  
NEWCASTLE, NSW

PKF(NS) Audit & Assurance Limited  
Partnership  
ABN 91 850 861 839

Liability limited by a scheme  
approved under Professional  
Standards Legislation

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## FINANCIAL REPORT FOR THE YEAR TO 30<sup>th</sup> JUNE 2019

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Statement of Changes in Equity for the year ended 30 June 2019

Statement of Cash Flows for the year ended 30 June 2019

### NOTES:

1. Statement of Significant Accounting Policies
2. Revenues
3. Expenses
4. Finance Costs
5. Auditor's Remuneration
6. Income Tax
7. Dividends and Franking Credit Balances
8. Earnings per Share
9. Cash and Cash Equivalents
10. Trade and Other Receivables
11. Financial Assets (Current)
12. Financial Liabilities
13. Financial Liabilities – Borrowings
14. Derivative Account Composition
15. Trade and Other Payables
16. Office Lease Under AASB 16
17. Controlled Entities
18. Parent Entity Information
19. Contingent Liabilities
20. Issued Capital
21. Acquisition of Controlled Entity Share Based Payments
22. Share Based Payments
23. Key Management Personnel
24. Capital and Leasing Commitments
25. Related Party Information and Transactions
26. Events Subsequent to Reporting Date
27. Company Details
28. Segment Reporting
29. Cash Flow Information
30. Financial Instruments, Risk Management and Capital Risk Management
  - A. Financial Assets – Shares in Listed Companies
  - B. Financial Assets – Derivative Securities held
  - C. Financial Liabilities – Derivatives sold short for future purchase
  - D. Financial Liabilities – Equity Securities sold short for future purchase
  - E. Risk Management - General
  - F. Capital Risk Management
  - G. Largely Controllable Risks – Interest Rate Risks and Exposures
  - H. Largely Controllable Risks – Credit Risk
  - I. Largely Controllable Risks – Operational Risk and Liquidity Risk
  - J. Partly Controllable Risks – Financial Markets and Securities Risks
  - K. Reconciliation of Net Financial Assets (30G) to Net Assets
  - L. Net Fair Values of Assets and Liabilities

**EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES**

***STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019***

	Note	Economic Entity	
		2019	2018
		\$	\$
<hr/>			
<b>Continuing operations</b>			
Revenues	2	995,655	2,065,662
Other expenses	3	(2,091,777)	(2,773,256)
Finance costs	4	(290,358)	(290,968)
Loss before income tax		(1,386,480)	(998,562)
Income tax benefit	6	449,719	333,847
Loss after income tax		(936,761)	(664,715)
Loss attributable to non-controlling interests		-	-
Loss after income tax and non-controlling interests		(936,761)	(664,715)
<hr/>			
Other comprehensive income for the year, net of tax		-	-
<hr/>			
Total comprehensive loss attributable to owners of East 72 Holdings Limited		(936,761)	(664,715)
<hr/>			
Basic loss (cents) per share from continuing operations	8	(5.0)	(4.8)
Diluted loss (cents) per share from continuing operations	8	(5.0)	(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 2019***

	Note	Economic Entity	
		2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	857,555	1,135,481
Trade and other receivables	10	44,842	20,672
Financial assets	11,14, 30	14,234,894	11,440,376
<b>TOTAL CURRENT ASSETS</b>		<b>15,137,291</b>	<b>12,596,529</b>
<b>NON CURRENT ASSETS</b>			
Deferred tax assets	6	675,595	296,374
Right of use lease asset	16	33,946	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>709,541</b>	<b>296,374</b>
<b>TOTAL ASSETS</b>		<b>15,846,832</b>	<b>12,892,903</b>
<b>CURRENT LIABILITIES</b>			
Financial derivative liabilities	12, 14, 30	8,163,421	4,805,795
Financial liabilities - borrowings	13, 29B, 30G	2,755,604	2,875,065
Trade and other payables	15	58,008	39,038
Office lease liability	16	20,054	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,997,087</b>	<b>7,719,898</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liabilities	6	-	77,475
Office lease liability	16	14,331	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>14,331</b>	<b>77,475</b>
<b>TOTAL LIABILITIES</b>		<b>11,011,418</b>	<b>7,797,373</b>
<b>NET ASSETS</b>		<b>4,835,414</b>	<b>5,095,530</b>
<b>EQUITY</b>			
Issued Capital	20	6,551,794	5,875,149
Share based payments reserve	22	43,280	43,280
Accumulated Losses		(1,759,660)	(822,899)
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF EAST 72 HOLDINGS LIMITED</b>		<b>4,835,414</b>	<b>5,095,530</b>

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 2019**

ECONOMIC ENTITY	Issued Capital \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
<b>As at 30 June 2017</b>	<b>3,284,824</b>	<b>43,280</b>	<b>(158,184)</b>	<b>3,169,920</b>
Total comprehensive income for the year	-	-	(664,715)	(664,715)
Contribution of equity (net)	2,590,325	-	-	2,590,325
<b>As at 30 June 2018</b>	<b>5,875,149</b>	<b>43,280</b>	<b>(822,899)</b>	<b>5,095,530</b>
Total comprehensive income for the year	-	-	(936,761)	(936,761)
Contribution of equity (net)	676,645	-	-	676,645
<b>As at 30 June 2019</b>	<b>6,551,794</b>	<b>43,280</b>	<b>(1,759,660)</b>	<b>4,835,414</b>

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 2019**

	Note	Economic Entity	
		2019 \$	2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		-	-
Payments to suppliers and employees		(203,971)	(131,021)
Purchases of equity investments		(5,727,754)	(4,906,635)
Proceeds of sale of equity investments		5,513,921	3,528,834
Investment in derivative account <sup>†</sup>		(355,000)	(760,146)
Dividends received		127,763	113,921
Dividends paid away on short sales		(186)	(1,825)
Interest received		14,934	9,992
Finance costs paid <sup>†</sup>		(115,470)	(70,479)
Foreign exchange translation losses		(68,094)	(46,317)
Taxation paid		(20,455)	(83,460)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>29 (A)</b>	<b>(834,312)</b>	<b>(2,347,136)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Loans from related entities		-	105,000
Repayment of loans to related entities		-	(105,000)
Payment for business, net of cash acquired		-	(591,679)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>-</b>	<b>(591,679)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from equity issuance		684,630	560,000
Costs of equity issuance		(8,783)	(7,422)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>675,847</b>	<b>552,578</b>
Net (decrease)/increase in cash held		(158,465)	(2,386,237)
Cash at the beginning of the financial year		(1,739,584)	646,653
<b>Cash at the end of the financial year</b>	<b>9</b>	<b>(1,898,049)</b>	<b>(1,739,584)</b>

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

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

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

#### 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 12 August 2019. 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 2019. 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 2019 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.

##### *Parent entity information*

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 18.

##### B. New or amended Accounting Standards and Interpretations adopted

###### **AASB 9: Financial Instruments**

The Group has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017.

As part of the adoption of AASB 9, the Group adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. In the comparative year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9, this disclosures have been provided for the current year.

The key changes to the Group's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except the Group has not restated any amounts relating to classification and measurement requirements including impairment which have been applied from 1 July 2018.

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)**

#### *Classification of financial assets*

The financial assets of the Group have been reclassified into one of the following categories on adoption of AASB 9 based on primarily the business model in which a financial asset is managed and its contractual cash flow characteristics:

- Measured at amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income - debt instruments (FVOCI - debt)
- Fair value through other comprehensive income - equity instruments (FVOCI - equity).

#### *Measurement of equity instruments*

All equity instruments of the Group are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 which allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) in the reporting period which includes the date of application.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments classified as fair value through other comprehensive income are taken to the relevant reserve.

#### *Derivatives*

Derivatives embedded in contracts where the host is a financial asset in the scope of AASB 9 are never separated, the whole hybrid instrument is classified.

#### *Impairment of financial assets*

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost, contract assets and fair value through other comprehensive income. This has resulted in the earlier recognition of credit loss (bad debt provisions).

#### *Impact of adoption*

The adoption of the amendment does not have a significant impact on the recognition, classification and measurement of the Group's financial instruments as they are carried at fair value through profit or loss and derivatives embedded in contracts where the host in the financial asset have not been separated. Financial liabilities have been measured at amortised cost. AASB 9 introduces a new impairment model. However, as the Group's investments are all held at fair value through profit or loss, the change in impairment rules does not have a material impact on the Group. The amendment also introduced revised rules around hedge accounting. The Group does not apply hedge accounting.

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

AASB 15 Revenue from Contracts with Customers establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Economic Entity currently does not have any revenue to which AASB 15 is applicable.

The adoption of these accounting standards has not had, and is not expected to have, a material impact on financial performance and position of the Group and consequently no further disclosures have been included in this report.

#### **AASB 16: Leases**

AASB 16 Leases supersedes the existing lease accounting requirements in AASB 117: Leases and the related interpretations. Under the new standard, operating leases for significant assets with a term of more than 12 months are required to be accounted for on the statement of financial position. That is, to recognise an amortisable asset as well as a corresponding liability. Any operating leases impacted by this change will also need to be retrospectively adjusted for the comparative financial statements.

The amendment also changed the definition of a lease and how the Group determines the existence of a lease. Refer to Note 1(T) for further details.

The Group had no previous operating leases for the year ended 30 June 2018. The Group entered into an office lease during the financial year ended 30 June 2019 and elected to early adopt the provisions of AASB 16. Refer to Note 16 for further details.

## **EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES**

### ***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)***

#### **C. 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 2019 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.

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

#### **D. 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.

#### **E. 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.

## **EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES**

### ***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)***

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.

#### **F. 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, it is probable that the economic benefits will flow to the Company and the amount can be reliably measured. Revenue from the rendering of a service is recognised upon the satisfaction of the performance obligation. 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.

#### **G. 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 9: 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 profit and loss 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.

#### **H. 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 allowance for expected credit losses.

#### **I. Trade and Other Payables**

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

#### **J. Finance Costs**

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

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

#### K. 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.

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.

#### L. 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.

#### M. 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.

#### N. 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.

#### O. 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.

#### P. 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.

## **EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES**

### ***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)***

#### **Q. Fair Value Measurement**

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

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

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

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

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

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

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

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

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

#### **T. Leases**

##### *Policy Applicable from 1 July 2018*

At inception of a contract, the Economic Entity assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the uses of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Economic Entity assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Economic Entity has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Economic Entity has the right to direct the use of the asset. The Economic Entity has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered into, or changed, on or after 1 July 2018.

## **EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES**

### ***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)***

The Economic Entity recognises a right of use lease asset and a lease liability at the lease commencement date. The right of use lease asset is initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use lease asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use lease asset or the end of the lease term. The estimated useful life of the right of use lease asset was determined to be longer (ten years) than the lease term (two years). In addition, the right of use lease asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determine, the Economic Entity's incremental borrowing rate. The Economic Entity uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments, and
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use lease asset, or is recorded in profit or loss if the carrying amount of the right of use lease asset has been reduced to zero.

#### **U. Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. The judgements, estimates and assumptions that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities is primarily in relation to Level 2 Financial Assets, which is discussed further in Note 30, share based payments, which is discussed further in Note 22, and the recoverability of the Deferred Tax Assets which is discussed further in Note 1(E).

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

	<b>Economic Entity</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>2. REVENUES</b>		
Profit from sale of derivative instruments	618,762	1,367,139
Profit from sale of equity investments (A)	166,019	361,851
Dividends received – other corporations	190,987	163,040
Interest received	19,887	12,533
Change in fair value of investments retained - equities	-	146,444
Fee and other income	-	1,355
Gain on bargain purchase	-	13,300
<b>TOTAL REVENUES</b>	<b>995,655</b>	<b>2,065,662</b>
<b>(A)</b> Net gain from sale of equity investments is composed of:		
Proceeds of sale of equity investments	5,352,096	3,371,644
Cost of sales of equity investments	(5,186,077)	(3,009,793)
	166,019	361,851
<b>3. EXPENSES</b>		
Auditor’s remuneration – audit and review of the financial report	25,610	24,836
Change in fair value of investments retained - derivatives	93,944	350,751
Change in fair value of investments retained - equities	826,677	-
Directors fees, employee benefits and costs	108,469	60,000
Dividends paid away on short sale derivatives	112,792	177,147
Dividends paid away on short sale equity positions	186	1,825
Fees, charges and commissions on derivative positions	36,014	40,040
Foreign exchange translation losses	68,094	46,317
Legal, professional and accounting costs	3,000	18,255
Loss on sale of derivatives	756,938	2,021,693
Office lease expenses	7,511	-
Other expenses	52,542	32,392
<b>TOTAL EXPENSES EXCLUDING FINANCE COSTS</b>	<b>2,091,777</b>	<b>2,773,256</b>

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

	Economic Entity	
	2019	2018
	\$	\$
<b>4. FINANCE COSTS</b>		
External – synthetically leveraged derivatives	174,887	220,489
External – financially leveraged margin loans	115,471	70,479
<b>Total finance costs</b>	<u>290,358</u>	<u>290,968</u>

### 5. AUDITOR'S REMUNERATION

#### Remuneration of the auditors of the parent entity for:

Auditing and reviewing the financial statements	25,610	24,836
	<u>25,610</u>	<u>24,836</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 before tax	(1,386,479)	(998,562)
Prima facie income tax (benefit)/expense on the (loss)/profit before income tax at 30% (2018: 30%)	(415,944)	(299,569)
<b>Add/(deduct) tax effect of:</b>		
Franking credits	(20,839)	(28,363)
Deferred tax assets (used)/not brought to account	-	-
Overseas tax and withholding tax paid	(14,706)	(6,993)
Non deductible expenditure	1,740	818
Other timing differences	30	260
	<u>(33,775)</u>	<u>(34,278)</u>
Income tax expense /(benefit) attributable to entity	<u>(449,719)</u>	<u>(333,847)</u>

The effective tax rate of 32.4% (2018: 33.4%) in both 2019 and 2018 mainly arises from franking credits and tax already paid on dividend receipts.

#### (B) DEFERRED TAX ASSETS

#### Deferred tax assets comprise:

Excess franking credits	50,252	29,413
Operating and investment losses	616,816	266,143
Temporary differences – accruals	8,527	818
	<u>675,595</u>	<u>296,374</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 2019 (continued)

	Economic Entity	
	2019	2018
	\$	\$
<b>6. INCOME TAX (continued)</b>		
<b>(C) DEFERRED TAX LIABILITIES</b>		
<b>Deferred tax liabilities comprise:</b>		
Deferred tax on unrealised gains on derivatives and equities	-	77,475
	-	77,475
<b>7. DIVIDENDS AND FRANKING CREDIT BALANCES</b>		
<b>Franking Credits</b>		
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.	391,845	371,007
No dividends were declared or paid in respect of the years ended 30 June 2019 or 30 June 2018.		
<b>8. EARNINGS PER SHARE</b>		
Weighted average number of ordinary shares outstanding during the year used in calculation of EPS:		
Basic and diluted EPS	18,906,952	13,919,503
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 2019 and 2018 years.		
	<b>\$</b>	<b>\$</b>
<b>Continuing operations</b>		
Earnings used in the calculation of basic and diluted EPS	(936,761)	(664,715)
Basic and diluted (loss) per share (cents)	(5.0)	(4.8)
<b>9. CASH AND CASH EQUIVALENTS</b>		
	<b>\$</b>	<b>\$</b>
Cash on hand and at bank	5,662	4,635
Cash in broking accounts	851,893	1,130,846
Net cash and cash equivalents as per statement of financial position	857,555	1,135,481
Margin lending account balance (note 13)	(539,679)	(1,362,593)
Broking account foreign exchange loans (note 13)	(2,215,925)	(1,512,472)
Net cash and cash equivalents as per Statement of Cash Flows	(1,898,049)	(1,739,584)
<b>10. TRADE AND OTHER RECEIVABLES</b>		
Trade debtors and receivables	8,752	13,023
Rental bond	5,610	-
Prepaid expenses	7,437	-
Prepaid tax	23,043	7,649
	44,842	20,672

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

	Economic Entity	
	2019	2018
	\$	\$
<b>11. FINANCIAL ASSETS (CURRENT)</b>		
<b>Fair value through profit or loss:</b>		
Listed investments at fair value		
- shares in listed corporations (notes 30A, 30L)	5,981,695	6,429,382
Derivative securities held at fair value (notes 14, 30B, 30L)	2,188,983	2,343,808
Net assets in derivative account (note 14)	6,064,216	2,667,185
	14,234,894	11,440,375

### 12. FINANCIAL LIABILITIES

Derivative securities sold short for future purchase at fair value (notes 14, 30C, 30G, 30L)	7,874,871	4,486,523
Securities sold short for future repurchased at fair value (notes 30D, 30G, 30L)	288,550	319,272
	8,163,421	4,805,795

### 13. FINANCIAL LIABILITIES – BORROWINGS (SECURED)

Foreign exchange liabilities with broker	2,215,925	1,512,472
Margin loan	539,679	1,362,593
	2,755,604	2,875,065

At 30 June 2019, East 72 Investments Pty. Limited (“E72IPL”) had a margin loan facility of up to \$1,500,000 (2018: \$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 (2018: \$1,000,000). 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 30B)	2,188,983	2,348,808
Derivative securities – sold short exposure (note 30C)	(7,874,871)	(4,486,523)
Net exposure to derivative account	(5,685,888)	(2,142,715)
<b>Funded by:</b>		
Equity within derivative account	378,328	524,470
Derivative account assets (note 11)	(6,064,216)	(2,667,185)
	(5,685,888)	(2,142,715)

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

	Economic Entity	
	2019	2018
	\$	\$
<b>15. TRADE AND OTHER PAYABLES</b>		
<b>CURRENT (UNSECURED)</b>		
Trade creditors	32,094	5,465
Other creditors and accruals	25,914	20,112
Taxation liabilities arising from acquisition	-	13,461
	58,008	39,038
<b>16. OFFICE LEASE UNDER AASB 16</b>		
<b>Right of use lease asset</b>		
Balance at 1 July 2018	-	
Additions	40,735	-
Depreciation charge for the year	(6,789)	-
Balance at 30 June 2019	33,946	-
<b>Office lease liability</b>		
Current liability	20,054	-
Non current liability	14,331	-
	34,385	-
<b>Maturity analysis – contractual undiscounted cash flows</b>		
Less than one year	21,428	-
One to five years	14,568	-
More than five years	-	-
Total undiscounted lease liabilities	35,996	-
<b>Amounts recognised in profit and loss</b>		
Depreciation on right-of-use asset	6,789	-
Interest expense	722	-
Office lease expense	7,511	-

Amounts are recognised in expenses (note 3) for the year to 30 June 2019.

On 29 January 2019, the parent entity entered into a two year office lease commencing on 1 March 2019 and ending on 28 February 2021 over the company's premises. There are no further renewal options and the rent payable increases by 3% from 1 March 2020. In calculating the right of use values and depreciation schedules, the relevant components of the right of use calculations have applied a 6% per annum discount rate, being the company's normal borrowing rates at the time of the lease being entered into, and straight-line depreciation over the 24 month lease period.

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

#### 17. CONTROLLED ENTITIES

	<b>Country of Incorporation</b>	<b>Percentage Owned 2019</b>	<b>2018</b>
<b>Parent Entity:</b>			
East 72 Holdings Limited	Australia	-	-
<b>Controlled Entities of East 72 Holdings Limited:</b>			
Stiletto Investments Pty. Limited	Australia	100%	100%
East 72 Investments Pty Limited	Australia	100%	100%
		<b>Economic Entity</b>	
		<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>

#### 18. PARENT ENTITY INFORMATION

##### Information relating to the parent entity, East 72 Holdings Limited:

Current Assets	3,184,340	3,269,814
Total Assets	4,755,855	5,273,453
Current Liabilities	628,489	470,641
Total Liabilities	662,874	470,641
Issued Capital	6,551,794	5,875,148
Share Based Payments Reserve	43,280	43,280
Accumulated Losses	(2,502,093)	(1,115,616)
Total Shareholders' Equity	<u>4,092,981</u>	<u>4,802,812</u>
(Loss) of the parent entity	<u>(1,386,476)</u>	<u>(726,015)</u>
Total comprehensive loss of the parent entity	<u>(1,386,476)</u>	<u>(726,015)</u>

As at 30 June 2019 and 30 June 2018, 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.

#### 19. CONTINGENT LIABILITIES

The Economic Entity has no outstanding contingent liabilities (2018: nil).

#### 20. ISSUED CAPITAL

19,150,000 fully paid authorised ordinary shares (2018: 16,867,900 shares)	<u>6,551,794</u>	<u>5,875,149</u>
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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.

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

#### 20. ISSUED CAPITAL (continued)

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

##### ORDINARY SHARES

Date	Details	Number of shares	\$
1 July 2018	Opening balance	16,867,900	5,875,149
18 July 2018	Placement at \$0.30/share	450,000	135,000
13 August 2019	Placement at \$0.30/share	1,832,100	549,630
	Capital raising costs	-	(7,984)
		19,150,000	6,551,794

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

#### 21. ACQUISITION OF CONTROLLED ENTITY: PRIOR YEAR

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 were 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
<b>TOTAL ASSETS</b>	<b>2,947,779</b>	<b>2,947,779</b>
Secured loans	(568,524)	(568,524)
Current tax liabilities	(101,569)	(101,569)
Deferred tax liabilities	(66,234)	(66,234)
<b>TOTAL LIABILITIES</b>	<b>(736,327)</b>	<b>(736,327)</b>
<b>NET ASSETS</b>	<b>2,211,452</b>	<b>2,211,452</b>
Deemed value of E72 Shares cancelled on acquisition	(136,682)	(136,682)
Gain on bargain purchase	(13,300)	(13,300)
<b>ADJUSTED NET ASSETS</b>	<b>2,061,470</b>	<b>2,061,470</b>
E72 Shares issued at deemed value	2,037,072	2,037,072
Cash payments	24,398	24,398
<b>TOTAL PURCHASE CONSIDERATION</b>	<b>2,061,470</b>	<b>2,061,470</b>

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

#### 22. SHARE BASED PAYMENTS

The economic entity issued nil options (2018: nil) as share based payments during the period.

##### Executive Remuneration

No share based payments were made in the year to 30 June 2019 or 30 June 2018.

The weighted average remaining contractual life of 100,000 unlisted options exercisable at \$0.35/share outstanding at the end of the financial year was 1.83 years (2018: 2.83 years).

#### 23. KEY MANAGEMENT PERSONNEL

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

##### Directors

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

##### Key Management Personnel

Marc Lerner	Investment Analyst
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##### Compensation

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

	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefits	104,063	60,000
Post-employment benefits	4,406	-
Share based payments	-	-
	<u>108,469</u>	<u>60,000</u>

##### Shareholding

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

	Balance at start of the year	Received as part of remuneration	Additions	Disposals / other	Balance at the end of the year
<b>2019</b>					
Wayne Adsett	43,188	-	-	-	43,188
Andrew Brown	4,953,738	-	305,443	-	5,259,171
Richard Ochojski	7,423	-	-	-	7,423
Marc Lerner	-	-	-	-	-
	<u>5,004,349</u>	<u>-</u>	<u>305,443</u>	<u>-</u>	<u>5,309,782</u>
<b>2018</b>					
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>

##### Related party transactions

Related party transactions are set out in note 25.

## **EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES**

### ***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)***

#### **24. CAPITAL AND LEASING COMMITMENTS**

##### **(A) OPERATING LEASE COMMITMENTS**

The Economic Entity has a lease for office space expiring on 28 February 2021 which is detailed in Note 16 to the accounts (2018: nil).

##### **(B) CAPITAL COMMITMENTS**

The Economic Entity has no outstanding capital commitments (2018: nil).

##### **(C) SUPERANNUATION**

The Company makes superannuation contributions to key Management personnel who are fully employed by the Company at a rate of 10% of pre tax salary.

#### **25. 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 \$108,469 (2018: \$60,000) 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 10 - 12 of this Financial Report.

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

In the years to 30 June 2019 and 30 June 2018 – nil.

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

Nil.

#### **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 2019 (continued)

	Economic Entity	
	2019	2018
	\$	\$
<b>29. CASH FLOW INFORMATION</b>		
<b>(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT/(LOSS) AFTER TAX</b>		
Operating loss after income tax	(936,761)	(664,715)
<b>Cash flows excluded from loss attributable to operating activities:</b>		
Purchases of equity investments	(5,727,754)	(4,906,635)
Sales of equity investments	5,513,921	3,528,834
Investment in derivatives account	(355,000)	(760,146)
Tax payment arising from acquired subsidiary	(20,455)	(81,114)
<b>Non cash flows in operating profit/(loss):</b>		
Change in fair value of equity investments retained	826,677	(146,444)
Change in fair value of derivative investments retained	93,944	350,751
Profit on sale of equities	(166,019)	(361,851)
Loss/(profit) on sale of derivatives	138,176	654,554
Other amounts capitalised to derivative account	266,034	388,280
Depreciation on right-of-use asset	6,789	-
Gain on bargain purchase	-	(13,300)
<b>Changes in assets and liabilities net of acquisitions:</b>		
(Increase)/decrease in deferred tax balances	(449,719)	(333,847)
(Increase)/decrease in sundry debtors & prepayments	(16,185)	(11,013)
(Decrease)/increase in trade creditors & accruals	5,802	9,510
Other	(13,762)	-
<b>Cash flows (used in)/provided by operations</b>	<b>(834,312)</b>	<b>(2,347,136)</b>
<b>(B) LOAN FACILITIES</b>		
Margin lending facilities	2,500,000	2,500,000
Related party loan facilities	-	-
Amount utilised	(539,679)	(1,362,593)
Unused loan facilities	1,960,321	1,137,407

At 30 June 2019, controlled entity E72IPL had a margin lending facility with a maximum limit of \$1,500,000 (2018: \$1,500,000) with a controlled entity of an ASX listed bank. The facility is secured by mortgage over the CHESSE sponsored equity investments held within the facility. At 30 June 2019, controlled entity Stiletto had a margin lending facility with a maximum limit of \$1,000,000 (2018: \$1,000,000) with a controlled entity of an ASX listed bank. The facility is secured by mortgage over the CHESSE 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 2019 (continued)

		Economic Entity	
		2019	2018
		\$	\$
<b>30. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT</b>			
<b>(A) FINANCIAL ASSETS – SHARES IN LISTED CORPORATIONS</b>			
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
A2B Limited	Taxi management systems	189,738	256,800
Alleghany Corp	Reinsurance	97,080	-
Allergan	Pharmaceutical	-	45,053
Alliance Data Systems	Credit card systems	179,756	-
ANZ Banking Group	Banking	-	56,480
Associated Capital Group	Investment/funds management	-	256,384
Australian Rural Capital	Agribusiness investment	185,411	336,982
Beazer Homes	US homebuilder	95,881	-
Berkshire Hathaway	Conglomerate	265,855	-
Bollore	Logistics/investment	163,342	-
Brookfield DTLA preference	Los Angeles office ownership	100,770	-
Commonwealth Bank	Financial services	-	51,009
Consolidated Comms	Broadband provider	42,161	83,502
DHT Holdings	Oil tanker owner	-	95,055
(Walt) Disney Companies	Entertainment/media	99,316	-
Dreamscape Networks	Domain name sales & hosting	224,750	87,500
E-L Financial Corp	Financial services	72,968	75,839
Enterprise Diversified	Funds management	34,393	-
Fairfax India Holdings	Indian asset ownership	126,710	-
Fitbit	Body monitoring devices	94,071	-
Freedom Insurance Group	Run off insurer	32,000	-
Fujitsu Frontech	Financial machines	-	36,762
Gowings Limited	Investment	249,000	173,400
Janus Henderson Group	Funds management	121,160	166,560
IDT Australia	Pharmaceutical	-	240,120
ING Groep	Banking	148,582	-
Investsmart Group	Financial services	-	34,200
Jeffries Financial	Merchant & investment banking	82,226	92,177
Joban Kaihatsu	Construction	81,899	45,221
Lancashire Holdings PLC	Reinsurance	-	50,553
Lindsay Australia	Logistics	34,500	-
Madison Square Garden Co	Arena & sports team ownership	119,701	-
McGrath Holdings	Real estate agency sales	225,000	150,000
Michael Hill International	Jewellery	-	116,400
Monash Absolute	Small company closed end LIC	285,250	205,000
MPC Containerships	Feeder vessel ownership	38,221	-
Namoi Cotton Co-operative	Cotton ginning & related	262,500	280,800
National Aust Bank	Banking	-	59,206
News Corp	Media conglomerate	-	137,150
NZME Limited	NZ based media	120,300	149,150
Pershing Square Holdings	Closed end global investment	-	167,680
PICO Holdings	Water ownership	82,811	-

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

		Economic Entity	
		2019	2018
		\$	\$
<b>30. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)</b>			
<b>(A) FINANCIAL ASSETS – SHARES IN LISTED CORPORATIONS (continued)</b>			
Company	Industry	Value	Value
PM Capital Global Opp Fund	Global equity closed end LIC	273,750	299,250
Prime Financial Group	Wealth management & planning	-	237,500
Prime Media Group	Regional media	241,500	145,000
Ramelius Resources	Gold mining	-	116,000
RENN Fund	Closed end US fund	111,018	-
Rights and Issues Inv Trust PLC	Closed end UK investment trust	72,681	80,956
Rubicon Technologies	Shell company	35,490	-
Schouw & Co	Danish conglomerate	43,421	-
Seven West Media	Media	-	231,000
Shire PLC	Pharmaceutical	-	98,868
Treasure ASA	Investment	67,151	64,635
vanEck Gold Miners ETF	Gold mining Investment	145,724	60,289
vanEck Junior Gold Miners ETF	Gold mining Investment	-	44,183
Virtu Financial	Market making	309,639	289,781
Vulcan International	Rubber products/investment	72,406	46,007
Watermark Global Leaders	Global equity closed end LIC	-	155,550
Webster Limited	Agribusiness, water	210,000	239,800
Wells Fargo	Financial services	111,488	142,327
Westaim	Insurance holding company	-	49,635
Westgold Resources	Gold & copper mining	-	249,750
Wm. Wilhelmsen Holding	Shipping based holding co.	66,416	67,618
Yandex	Russian technology provider	54,162	-
Yellow Brick Road	Financial services franchisor	311,500	232,050
<b>TOTAL</b>		<b>5,981,695</b>	<b>6,429,382</b>

### (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 services	-	151,463
AerCap Holdings	Aircraft leasing	333,588	248,764
Alphabet	Technology & IT investment	308,438	-
AMP Limited	Financial Services	212,000	178,000
Bank of America	Financial Services	-	95,223
Barclays PLC	Banking	-	121,327
Bollere	Logistics/Investment	-	75,419
Exor SpA	Holding company/reinsurance	299,223	291,276
Financiere de L'Odet	Intermediate holding co.	157,238	220,445
Foxtons PLC	Real estate agency	-	57,310
Goldman Sachs	Investment banking	233,409	-
Greenlight Capital Re	Reinsurance	-	143,899
Hansa Trust PLC	Investment trust	-	113,580
ING Groep	Banking	-	122,522
KKR and Co LP	Private Equity	180,088	-

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

		Economic Entity	
		2019	2018
		\$	\$
<b>30. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)</b>			
<b>(B) FINANCIAL ASSETS – DERIVATIVE SECURITIES HELD (continued)</b>			
Company	Industry	Value	Value
Lloyds Banking Group	Banking	138,124	151,779
Pact Group Holdings	Packaging	69,750	-
Radisson Hospitality AB	Hotel management	-	108,427
Sandstorm Gold	Precious metal royalties	-	60,803
Seven West Media	Media	74,400	-
Third Point Re	Reinsurance	-	33,779
Vornado Realty Trust	Real estate ownership	182,725	169,792
<b>TOTAL</b>		<b>2,188,983</b>	<b>2,343,808</b>

### (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
A2Milk	Dairy products	55,400	-
Afterpay Touch	Consumer credit	150,420	46,750
Altium	Circuit board design software	64,980	-
Amazon Inc	Online/cloud supply chain	-	114,836
Apple	Consumer electronics	56,465	250,115
BHP Billiton	Diversified resources	-	118,685
Caterpillar	Capital equipment	-	128,319
Computershare	Registry & mortgage servs	-	27,645
Corporate Travel Management	Travel services	-	221,130
DAX	German equity index	746,973	-
Euro 50	European equity index	293,336	-
Macquarie Group	Financial services	125,390	105,103
Mirvac Limited	Property	109,550	-
NASDAQ 100 index	US equity index	400,244	845,700
Nine Entertainment	FTA television network	-	49,600
Promedicus	Medical imaging software	134,037	-
Ralph Lauren Corp	Designer fashion	-	50,961
S&P/ASX 200	Australian equity index	2,486,277	199,328
S&P500 index	US equity index	2,360,096	1,931,534
Shopify	Online shopping	85,562	49,281
Tesla Inc	Solar/electrical vehicles	509,464	347,536
Wall Street index	Dow Jones IA Derivative	213,547	-
Wisetech Global	Logistics software	83,130	-
<b>TOTAL</b>		<b>7,874,871</b>	<b>4,486,523</b>

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

Economic Entity	
2019	2018
\$	\$

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

#### (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	47,128	38,268
Netflix Inc	Subscription entertainment	130,887	105,778
PagerDuty	IT incident response platform	23,471	-
WWE Entertainment	Sports promotion	61,753	-
Zoom Communications	Video communications	25,311	-
<b>TOTAL</b>		<b>288,550</b>	<b>319,272</b>

#### (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.

#### (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.

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

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

##### (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 30J 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 loan facilities provided by margin loans.

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 \$100,615 (2018: \$62,261).

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.

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

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

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

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

	Interest Rate	Fixed Interest Rate \$	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
<b>ECONOMIC ENTITY 2019</b>					
Financial assets:					
Cash and cash equivalents	1.21%	-	851,893	5,662	857,555
Trade and other receivables	-	-	-	44,842	44,842
Investments	-	-	-	14,234,894	14,234,894
		-	851,893	14,285,398	15,137,291
Financial Liabilities:					
Derivative account liabilities	1.84%	-	8,163,421	-	8,163,421
Borrowings	3.99%	-	2,755,604	-	2,755,604
Trade and other payables	-	-	-	58,008	58,008
		-	10,919,025	58,008	10,977,033
Net Financial Assets/(Liabilities)		-	(10,067,132)	14,227,390	4,160,258
<b>ECONOMIC ENTITY 2018</b>					
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

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

#### 30. 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 2019 is \$7,985 (2018: \$9,285); 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 14-19) 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 2019 (continued)

#### 30. 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 2019 and 30 June 2018, the portfolio exposures exhibited the following characteristics in this respect:

<b>As at 30 June 2019</b>	<b>Exposure</b>	<b>Capital<sup>†</sup></b>	<b>Ratio</b>	<b>Maximum</b>
Gross long and short exposures (physical & derivative)	\$16,334,099	\$4,136,775	3.95:1	6:1
Gross long exposures (physical and derivative)	\$8,170,678	\$4,136,775	1.98:1	4:1
Gross short exposures (derivative)	\$8,163,421	\$4,136,775	1.97:1	4:1
Single largest non-index long position	\$333,588	\$4,136,775	8.1%	6%
Single largest non-index short position	\$509,464	\$4,136,775	12.3%	6%
<b>As at 30 June 2018</b>	<b>Exposure</b>	<b>Capital<sup>†</sup></b>	<b>Ratio</b>	<b>Maximum</b>
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%

<sup>†</sup> calculated before tax liabilities/assets

At 30 June 2019, the economic entity had ten long positions (AerCap Holdings NV, Alphabet Inc, Berkshire Hathaway, Exor NV, Gowing Brothers Limited, Monash Absolute Limited, Namoi Cotton Limited, PM Capital Global Opportunities Fund Limited, Virtu Financial Inc and Yellow Brick Road Limited) and one short position (Tesla Inc) which had grown to in excess of the intended portfolio limits.

At 30 June 2018, the economic entity had two long positions (Australian Rural Capital Limited; PM Capital Global Opportunities Fund Limited) and one short position (Tesla Inc) which had grown to in excess of the intended portfolio limits.

In the event that the listed company portfolio increased or decreased in value by 10% from the levels of 30 June 2019, there would be a corresponding impact, assuming perfect correlations between the securities, on pre-tax profit of \$726 (2018: profit of \$396,740).

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

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

##### (K) RECONCILIATION OF NET FINANCIAL ASSETS TO NET ASSETS

	Economic Entity	
	2019	2018
	\$	\$
Net Financial Assets as above (note 30G)	4,160,258	4,876,631
<b>Non financial assets and liabilities:</b>		
Right of use lease asset	33,946	-
Office lease liability	(34,385)	-
Deferred tax assets	675,595	296,374
Deferred tax liabilities	-	(77,475)
Net assets per statement of financial position	4,835,414	5,095,530

##### (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 2019	Level 1	Level 2	Level 3	TOTAL
	\$	\$	\$	\$
Financial assets at fair value through profit or loss:				
Shares in other corporations	5,981,695	-	-	5,981,695
Shares in other corporations sold short	(288,550)	-	-	(288,550)
Long derivative exposures	-	2,188,983	-	2,188,983
Short derivative exposures	-	(7,874,871)	-	(7,874,871)
TOTAL	5,693,145	(5,685,888)	-	7,257
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

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

#### 30. 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
	2019	2018				
Held for trading financial assets (see notes 11, 30A)	Listed equity securities:		Level 1	Quoted bid prices in an active market	N/A	N/A
	\$5,981,695	\$6,429,382				
Held for trading financial liabilities (see notes 12, 30D)	Listed equity securities:		Level 2	Third party provided prices based on active market	N/A	N/A
	\$288,550	\$319,272				
Held for trading derivative financial assets (notes 11, 30B)	Contracts for difference:		Level 2	Third party provided prices based on active market	N/A	N/A
	\$2,188,983	\$2,343,808				
Held for trading derivative financial liabilities (notes 12, 30C)	Contracts for difference:					
	\$7,874,871	\$4,486,523				

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 30 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 2019 and of its performance for the year ended on that date;
  - (ii) complying with Accounting Standards and Corporations Regulations; and
  - (iii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements; and
- (b) In the opinion of the directors, there are reasonable grounds to believe that the Economic Entity will be able to pay its debts as and when they become due and payable.
- (c) The Executive Director has declared that:
  - (i) the financial records of the Economic Entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (iii) the financial statements and notes for the financial year give a true and fair view.
- (d) The remuneration disclosures that are contained in pages 10 to 12 of the Directors' Report comply with Australian Accounting Standard AASB 124 Related Parties and Corporations Regulations 2001.

On behalf of the Board



R C Ochojski  
Director



AJ Brown  
Director

Date: 12 August 2019

## 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 2019, 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 2019 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 2019, a significant proportion of the consolidated entity's assets (90%) and liabilities (74%) are comprised of leveraged equities and derivative securities. The fair value of financial assets is \$14,234,894 (2018: \$11,440,375) and financial liabilities are \$8,163,421 (2018: \$4,805,795) (including derivative securities) as disclosed in notes 11 and 12 of the financial report. As noted in note 1(G) 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 9.

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 2019 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 2019 as noted on the trading statements of the equity and derivative securities by using trading websites such as the Australian Securities Exchange ("ASX"), New York Stock Exchange ("NYSE"), London Stock Exchange ("LSE"), and Euronext, and Google Finance for index prices; 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 30.

Based on these procedures, we are satisfied the consolidated entity's financial assets and financial liabilities, which are comprised of leveraged equities and derivatives, are not materially misstated.

## 2. Recognition and Valuation of Deferred Tax Assets

### Why significant

As disclosed in Note 6 of the financial report, at 30 June 2019 the Company has recorded a deferred tax asset of \$675,595 relating to deductible temporary differences and tax losses incurred.

As noted in Note 1(E) of the financial report, deferred tax assets are only recognised if the Company considers it probable that future taxable income will be generated to utilise these temporary differences and losses.

Significant judgement is required in forecasting future taxable income.

Based on the above, we have considered the recognition and valuation of deferred tax assets to be a Key Audit Matter.

### How our audit addressed the key audit matter

We have assessed and challenged management's judgements relating to the Company's ability to generate future taxable income, and also the recognition criteria under AASB 112.

Our procedures included but were not limited to:

- assessing the reasonableness of key assumptions with respect to future income and expenditure;
- reviewing the nature of the deferred tax asset (i.e. temporary differences or revenue / capital losses) and its probability of being realised.

We have also assessed the appropriateness of the disclosures included in Note 6 in respect of the deferred tax balances. On the basis of the procedures performed, we are satisfied that the deferred tax balances are not materially misstated and have been fairly disclosed.

## 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 2019.

In our opinion, the Remuneration Report of East 72 Holdings Limited for the year ended 30 June 2019, 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

12 AUGUST 2019  
NEWCASTLE, NSW

## EAST 72 HOLDINGS LIMITED.

### OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2019

#### A. Range of Shares Issued as at 28 July 2019

As at 28 July 2019 there were 19,150,000 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	0.9
10,001-100,000	25	832,178	4.3
100,001-9,999,999,999	38	18,134,701	94.7
<b>Totals</b>	<b>106</b>	<b>19,150,000</b>	<b>100.0</b>

#### B. Top Twenty shareholders as at 28 July 2019

Holder	Shares	%
J & S Rayner Pty Ltd <Rayner Super Fund A/C>	2,639,780	13.78%
Donna Ann Brown	2,198,069	11.47%
Garrett Smythe Limited	1,666,667	8.70%
Andrew John Brown	1,185,146	6.19%
Abron Investments Pty Limited	1,003,764	5.24%
WSB Super Pty Limited <WSB Dist Super Fund A/C>	811,402	4.24%
Phillip Jason Stanway & Linda Jean Stanway <P & L Stanway Super Fund A/C>	763,466	3.99%
Pax Pasha Pty Limited	761,904	3.98%
Stephen Murray Roberts & Megan Roberts <Dover Downs Super Fund A/C>	680,667	3.55%
David John Gallop & Katherine Mary Gallop <Gallop Super Fund A/C>	671,428	3.51%
Laufmann Longterm Investments Pty Ltd <Laufmann Super Fund A/C>	452,381	2.36%
Clapsy Pty Limited <Baron Super Fund A/C PY>	430,700	2.25%
John Charrington & Pamela McBride <Islington Retire Fund A/C>	350,000	1.83%
Kew Superannuation Fund Pty Ltd <KW Super Fund A/C>	285,715	1.49%
TCWH Pty Ltd <TCWH Super Fund A/C>	285,715	1.49%
Patrick James Dymock Elliott	284,333	1.49%
Katherine Mary Gallop	250,000	1.30%
Lauren Julia Brown	217,116	1.13%
Ruck & Maul Pty Ltd <John Eales Family A/C>	214,287	1.12%
Larsen Family Pty. Ltd <The Larsen Family A/C>	214,286	1.12%
<b>TOP 20 SHAREHOLDERS</b>	<b>15,366,826</b>	<b>80.24%</b>

#### C. Voting Rights

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

## OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2019 (CONTINUED)

### D. Substantial Shareholders

The company is aware of three shareholders who holds relevant interests of in excess of 5% of the company's ordinary shares as at 28 July 2019:

<b>Holder</b>	<b>Shares held</b>	<b>% of capital</b>
Andrew John Brown and Donna Ann Brown (relevant interests)	5,259,171	27.5%
John Gordon Rayner & Sally Anne Rayner (relevant interests)	2,639,780	13.8%
Garrett Smythe Limited	1,666,667	8.7%