

EAST 72 HOLDINGS LIMITED



**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS**

30 JUNE 2020

## **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  
Westpac Banking Corporation Limited

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

## 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 2020.

### 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.

**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 2020 (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	6,057,726	-
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 2020 was (\$2,870,526) (2019 loss \$936,761). No dividends were paid or declared during the year.

### TRADING IN COMPANY SHARES

During the 12 months to 30 June 2020 and to 30 June 2019, 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 2020.

### REVIEW OF OPERATIONS

The operations of the Economic Entity were reviewed in four quarterly reports (numbers 13 – 16) issued on 10 October 2019, 8 January 2020, 15 April 2020 and 20 July 2020 respectively, together with the Executive Directors presentation to the Annual General Meeting dated 15 November 2019.

### SIGNIFICANT EVENTS DURING THE YEAR

In the year to 30 June 2020, the Company issued 798,555 new shares via placement to raise \$131,142. (2019: 2,282,100 shares to raise \$684,630).

### 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 2020 was:

	Directors' Meetings held during period in office	
	No. of meetings eligible to attend	No. of meetings attended
Wayne Adsett	6	6
Andrew Brown	6	6
Richard Ochojski	6	6

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (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 2020 and 30 June 2019

	<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>2020</b>							
Wayne Adsett	20,000	-	-	-	-	-	20,000
Andrew Brown	16,667	-	-	3,333	-	-	20,000
Richard Ochojski	20,000	-	-	-	-	-	20,000
<b>TOTAL</b>	<b>56,667</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,000</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>

#### (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>2020</b>							
Marc Lerner <sup>1</sup>	65,625	-	-	6,563	15,000	-	87,188
<b>TOTAL</b>	<b>65,625</b>	<b>-</b>	<b>-</b>	<b>6,563</b>	<b>15,000</b>	<b>-</b>	<b>87,188</b>
<b>2019</b>							
Marc Lerner <sup>2</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, resigned 3 February 2020; 2: Investment Analyst, commenced 11 February 2019

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (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

Nil

#### (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 1/7/19	Received as Remuneration	Options Exercised	Net change - other <sup>a</sup>	Balance at 30/6/20
Wayne Adsett	43,188	-	-	-	43,188
Andrew Brown	5,259,171	-	-	798,555	6,057,726
Richard Ochojski	7,423	-	-	-	7,423
TOTAL	5,309,782	-	-	798,555	6,148,337

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 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Sales Revenue	14,988	468,571	2,065,662	n/a	n/a
EBITDA	(111,071)	310,478	(720,127)	(1,114,033)	(2,942,354)
EBIT	(111,071)	310,478	(720,127)	(1,114,033)	(2,942,354)
Profit/(loss) for the year	(111,071)	197,437	(664,715)	(936,761)	(2,870,526)

## DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (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 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Share price (year end)	No trades	\$0.35	No trades	\$0.30	No trades
Dividends paid (\$000's)	-	-	-	-	-
Basic earnings per share (cents) <sup>1</sup>	(30.9)	4.8	(4.8)	(5.0)	(14.8)

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

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

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#### INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

#### ENVIRONMENTAL REGULATION

No significant environmental regulations apply to the economic entity.

#### 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 2020 (continued)**

### **IMPACT OF CORONAVIRUS (COVID-19) ON OPERATIONS**

Other than being the direct cause of volatility in financial markets, COVID-19 has not had a direct impact on the Economic Entity's operations. The Economic Entity maintains its financial and investment records in cloud based storage, with additional back-ups by third party providers who directly supply services such as financial platforms (Leveraged Equities Limited, Interactive Brokers, IG Markets) and accounting providers (Xero Limited). Hence, the Economic Entity was able to continue operating remotely as required at certain times in the year to 30 June 2020.

### **SUBSEQUENT EVENTS**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

### **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 10.

Dated at Sydney this third day of September 2020.

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 2020

## 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 2020 (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 2020 the Company has released unaudited NTA/share calculations at the end of each quarter, together with a disclosure of portfolio activity.

# AUDITOR'S INDEPENDENCE DECLARATION



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 2020, 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

PAUL PEARMAN  
PARTNER

03 SEPTEMBER 2020  
SYDNEY, NSW

PKF(NS) Audit & Assurance Limited  
Partnership  
ABN91 85 0 981 838

Liability limited by a scheme  
approved under Professional  
Standards Legislation

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For office locations visit [www.pkf.com.au](http://www.pkf.com.au)

## FINANCIAL REPORT FOR THE YEAR TO 30<sup>th</sup> JUNE 2020

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Statement of Changes in Equity for the year ended 30 June 2020

Statement of Cash Flows for the year ended 30 June 2020

### NOTES:

1. Statement of Significant Accounting Policies
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8. Earnings per Share
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28. Financial Instruments, Risk Management and Capital Risk Management
  - A. Financial Assets – Shares in Listed Companies
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  - 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

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	Economic Entity restated 2019 \$
<b>Continuing operations</b>			
Investment Losses	2	(2,541,622)	(1,073,877)
Other expenses	3	(257,076)	(197,132)
Finance costs	4	(71,828)	(115,471)
Loss before income tax		(2,870,526)	(1,386,480)
Income tax benefit	6	-	449,719
Loss after income tax		(2,870,526)	(936,761)
Loss attributable to non-controlling interests		-	-
Loss after income tax and non-controlling interests		(2,870,526)	(936,761)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss attributable to owners of East 72 Holdings Limited		(2,870,526)	(936,761)
Basic loss (cents) per share from continuing operations	8	(14.8)	(5.0)
Diluted loss (cents) per share from continuing operations	8	(14.8)	(5.0)
Dividends (cents) per share	7	-	-

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

**EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES**

***STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020***

	Note	Economic Entity		
		2020 \$	2019 \$	restated 1 July 2018 \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	9	5,530	5,662	4,635
Due from brokers		454,084	851,893	1,130,846
Trade and other receivables	10	33,538	31,795	13,023
Prepayments		17,693	13,047	7,649
Financial assets	11, 28	1,787,176	7,238,972	7,543,813
<b>TOTAL CURRENT ASSETS</b>		<b>2,298,021</b>	<b>8,141,369</b>	<b>8,699,966</b>
<b>NON CURRENT ASSETS</b>				
Deferred tax assets	6	675,595	675,595	296,374
Right of use lease asset	15	18,925	33,946	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>694,520</b>	<b>709,542</b>	<b>296,374</b>
<b>TOTAL ASSETS</b>		<b>2,992,541</b>	<b>8,850,911</b>	<b>8,996,340</b>
<b>CURRENT LIABILITIES</b>				
Financial liabilities – equity securities sold short for future repurchase	12, 28	262,991	288,550	319,272
Financial liabilities - derivatives at fair value		5,794	878,949	589,960
Financial liabilities – margin loan	13, 28	65,828	539,679	1,362,593
Financial liabilities – broker loan		513,528	2,215,925	1,512,472
Trade and other payables	14	717	32,094	18,926
Accruals		30,212	25,914	20,112
Office lease liability	15	18,993	20,054	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>898,063</b>	<b>4,001,166</b>	<b>3,823,335</b>
<b>NON CURRENT LIABILITIES</b>				
Deferred tax liabilities		-	-	77,475
Office lease liability	15	-	14,331	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>-</b>	<b>14,331</b>	<b>77,475</b>
<b>TOTAL LIABILITIES</b>		<b>898,063</b>	<b>4,015,497</b>	<b>3,900,810</b>
<b>NET ASSETS</b>		<b>2,094,478</b>	<b>4,835,414</b>	<b>5,095,530</b>
<b>EQUITY</b>				
Issued Capital	19	6,681,384	6,551,794	5,875,149
Share based payments reserve	20	43,280	43,280	43,280
Accumulated Losses		(4,630,186)	(1,759,660)	(822,899)
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF EAST 72 HOLDINGS LIMITED</b>		<b>2,094,478</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 2020***

<b>ECONOMIC ENTITY</b>	<b>Issued Capital \$</b>	<b>Share Based Payments Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
<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 loss 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>
Total comprehensive loss for the year	-	-	(2,870,526)	(2,870,526)
Contribution of equity (net)	129,590	-	-	129,590
<b>As at 30 June 2020</b>	<b>6,681,384</b>	<b>43,280</b>	<b>(4,630,186)</b>	<b>2,094,478</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 2020**

	Note	Economic Entity	
		2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		-	-
Payments to suppliers and employees		(266,650)	(203,971)
Purchases of equity investments		(7,363,357)	(5,727,754)
Proceeds of sale of equity investments		10,140,020	5,513,921
Investment in derivative account <sup>†</sup>		(647,029)	(355,000)
Dividends received		73,859	127,763
Dividends paid away on short sales		(3,068)	(186)
Futures contracts mark to market		(22,156)	-
Interest received		2,155	14,934
Finance costs paid <sup>†</sup>		(64,031)	(115,470)
Foreign exchange translation losses		(200,872)	(68,094)
Taxation paid		-	(20,455)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>27 (A)</b>	<b>1,648,872</b>	<b>(834,312)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from equity issuance		131,142	684,630
Costs of equity issuance		(1,707)	(8,783)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>129,435</b>	<b>675,847</b>
Net (decrease)/increase in cash held		1,778,307	(158,465)
Cash at the beginning of the financial year		(1,898,049)	(1,739,584)
<b>Cash at the end of the financial year</b>	<b>9</b>	<b>(119,742)</b>	<b>(1,898,049)</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 2020 (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 3<sup>rd</sup> September 2020. 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 2020. 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 17.

##### **B. Principles of Consolidation**

##### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of East 72 Holdings Limited ("company" or "parent entity") as at 30 June 2020 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.

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

### ***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **E. Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established, 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.

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

### ***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)***

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

##### *Recognition*

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

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

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 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.

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

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

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

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

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

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

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

##### *Share based payments*

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

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

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

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

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

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

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

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

#### M. Contributed Equity

Ordinary shares are classified as equity.

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

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

#### N. Earnings Per Share

##### *Basic earnings per share*

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

##### *Diluted earnings per share*

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

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

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

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

#### P. Fair Value Measurement

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

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

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

#### Q. Comparative Figures

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

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

#### 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. Leases

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.

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.

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

#### T. Critical Accounting Estimates and Judgments

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

#### U. Going Concern

Given that the Economic Entity can access liquidity from equity investments and derivatives in short order, if required, the Directors believe the financial statements can be prepared on the assumption that the Economic Entity is a going concern and will continue its operations for the foreseeable future.

#### V. AASB 9: Restatement of Prior Accounts

E72 has reviewed its policies in relation to the accounting for financial instruments that applies to contracts for differences. In doing so, it was identified that an error existed whereby the gross notional amount of the underlying assets were recognised rather than the difference which results in the derivative.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Statement of Financial Position (extract)	30 June 2019 \$	Increase/ (Decrease) \$	30 June 2019 (Restated) \$	30 June 2018 \$	Increase/ (Decrease) \$	1 July 2018 (Restated) \$
Financial assets	14,234,894	(6,995,922)	7,238,972	11,440,376	(3,896,563)	7,543,813
Financial liabilities – derivatives at fair value	(7,874,871)	6,995,922	(878,949)	(4,486,523)	3,896,563	(589,960)
<b>Net assets</b>	<b>6,360,023</b>	-	<b>6,360,023</b>	<b>6,953,853</b>	-	<b>6,953,853</b>
<b>Total equity</b>	-	-	-	-	-	-

Statement of Profit or Loss (extract)	2019 \$	Profit Increase/ (Decrease) \$	2019 (Restated) \$
Investment Losses	995,655	(2,069,532)	(1,073,877)
Other expenses	(2,091,777)	1,894,645	(197,132)
Finance costs	(290,358)	174,887	(115,471)
<b>Loss before income tax</b>	<b>(1,386,480)</b>	-	<b>(1,386,480)</b>
Income tax benefit	449,719	-	449,719
<b>Loss after income tax</b>	<b>(936,761)</b>	-	<b>(936,761)</b>
Loss attributable to non-controlling interests	-	-	-
<b>Loss after income tax and non-controlling interests</b>	<b>(936,761)</b>	-	<b>(936,761)</b>
Other comprehensive income for the year, net of tax	-	-	-
<b>Total comprehensive loss attributable to owners of East 72 Holdings Limited</b>	<b>(936,761)</b>	-	<b>(936,761)</b>

Basic and diluted earnings per share for the prior year was not affected by the restatement above.

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

	Economic Entity	
	2020	restated 2019
	\$	\$
<b>2. INVESTMENT RETURNS</b>		
Loss on investments held at fair value through profit and loss (A)	(2,425,504)	(1,216,657)
Interest received	2,178	19,887
Dividends received – other corporations	82,576	190,987
Foreign exchange translation losses	(200,872)	(68,094)
	<u>(2,541,622)</u>	<u>(1,073,877)</u>
(A) Loss on investments held at fair value through profit and loss is comprised of:		
Proceeds of sale of equity investments	10,100,400	5,352,096
Cost of sales of equity investments	(11,124,469)	(5,186,077)
	<u>(1,024,069)</u>	<u>166,019</u>
Change in fair value of investments retained - equities	(378,438)	(826,677)
Change in fair value of investments retained - derivatives	525,907	(93,944)
Dividends paid away on short sale equity positions	(3,068)	(186)
Loss on sale of derivatives	(1,523,632)	(461,869)
Mark to market – futures contracts	(22,204)	-
TOTAL	<u>(2,425,504)</u>	<u>(1,216,657)</u>
<b>3. EXPENSES</b>		
Auditor’s remuneration – audit and review of the financial report	26,441	25,610
Directors fees, employee benefits and costs	60,000	60,000
Employee benefits and costs	87,188	48,469
Legal, professional and accounting costs	1,605	3,000
Office lease expenses	21,513	7,511
Other expenses	60,329	52,542
<b>TOTAL EXPENSES EXCLUDING FINANCE COSTS</b>	<u><b>257,076</b></u>	<u><b>197,132</b></u>

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

	Economic Entity	
	2020	2019
	\$	\$
<b>4. FINANCE COSTS</b>		
External – financially leveraged margin loans	71,828	115,471
<b>Total finance costs</b>	<u>71,828</u>	<u>115,471</u>

### 5. AUDITOR'S REMUNERATION

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

Auditing and reviewing the financial statements	26,441	25,610
	<u>26,441</u>	<u>25,610</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	(2,870,526)	(1,386,479)
Prima facie income tax (benefit)/expense on the (loss)/profit before income tax at 30% (2019: 30%)	(861,158)	(415,944)
<b>Add/(deduct) tax effect of:</b>		
Franking credits	(12,105)	(20,839)
Deferred tax assets (used)/not brought to account	869,879	-
Overseas tax and withholding tax paid	-	(14,706)
Non deductible expenditure	1,237	1,740
Other timing differences	2,147	30
	<u>861,158</u>	<u>(33,775)</u>
Income tax benefit attributable to entity	<u>-</u>	<u>(449,719)</u>

The effective tax rate of nil% in 2020 mainly arises from non recognition of deferred tax assets (2019: 32.4% mainly arises from franking credits and tax already paid on dividend receipts).

#### (B) DEFERRED TAX ASSETS

##### Deferred tax assets comprise:

Excess franking credits	65,985	29,413
Operating and realised investment losses	384,345	251,953
Unrealised losses	216,254	364,863
Temporary differences – accruals	9,011	8,527
	<u>675,595</u>	<u>675,595</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 2020 (continued)

	Economic Entity	
	2020	2019
	\$	\$

#### 6. INCOME TAX (CONTINUED)

##### (C) TAX LOSSES

Unused tax losses for which no deferred tax asset has been recognised	2,899,596	-
Potential tax benefit at 30%	869,879	-

#### 7. DIVIDENDS AND FRANKING CREDIT BALANCES

##### Franking Credits

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

	403,963	391,845
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No dividends were declared or paid in respect of the years ended 30 June 2020 or 30 June 2019.

#### 8. EARNINGS PER SHARE

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

Basic and diluted EPS	19,445,140	18,906,952
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Unlisted options currently issued are treated as anti-dilutive since their exercise price was above the net asset backing per share of the Company for most of the 2020 and 2019 years.

	\$	\$
<b>Continuing operations</b>		
Earnings used in the calculation of basic and diluted EPS	(2,870,526)	(936,761)
Basic and diluted (loss) per share (cents)	(14.8)	(5.0)

#### 9. CASH AND CASH EQUIVALENTS

	\$	\$
Cash on hand and at bank	5,530	5,662
Cash in broking accounts	454,084	851,893
Net cash and cash equivalents as per statement of financial position	459,614	857,555
Margin lending account balance (note 13)	(65,828)	(539,679)
Broking account loans (note 13)	(513,528)	(2,215,925)
Net cash and cash equivalents as per Statement of Cash Flows	(119,742)	(1,898,049)

#### 10. TRADE AND OTHER RECEIVABLES

Trade debtors and receivables	2,033	8,752
Prepaid tax	31,505	23,043
	33,538	31,795

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

	2020 \$	Economic Entity restated 2019 \$
<b>11. PREPAYMENTS</b>		
Rental bonds	7,314	5,610
Prepaid expenses	10,379	7,437
	17,693	13,047
<b>12. FINANCIAL ASSETS (CURRENT)</b>		
<b>Fair value through profit or loss:</b>		
Listed investments at fair value		
- shares in listed corporations (notes 28A, 28L)	1,749,671	5,981,695
- options over futures contracts (notes 28A, 28L)	4,552	-
Derivative securities held at fair value (notes 28B, 28L)	5,915	352,984
Funds in derivative account	27,038	904,173
	1,787,176	7,238,972
<b>13. FINANCIAL LIABILITIES – BORROWINGS (SECURED)</b>		
Margin loan	65,828	539,679
	65,828	539,679
<p>At 30 June 2020, East 72 Investments Pty. Limited (“<b>E72IPL</b>”) had a margin loan facility of up to \$1,500,000 (2019: \$1,500,000) with a subsidiary of an ASX listed bank. At 30 June 2020, Stiletto Investments Pty. Limited (“<b>SIPL</b>”) had a margin loan facility of up to \$1,000,000 (2019: \$1,000,000) with a subsidiary of an ASX listed bank. These facilities grant the bank a mortgage charge against all the equity investment assets of E72IPL and SIPL, and are guaranteed by Andrew Brown, the sole Director of E72IPL and SIPL and a Director of the Company.</p>		
<b>14. TRADE AND OTHER PAYABLES</b>		
<b>CURRENT (UNSECURED)</b>		
Trade creditors	717	32,094
Other creditors and accruals	30,212	25,914
	30,929	58,008

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

	Economic Entity	
	2020	restated 2019
	\$	\$
<b>15. OFFICE LEASE UNDER AASB 16</b>		
<b>Right of use lease asset</b>		
Balance at start of year	33,946	-
Additions	18,924	40,735
Commutation of lease	(18,669)	-
Depreciation charge for the year	(19,286)	(6,789)
Balance at 30 June 2019	18,925	33,946
<b>Office lease liability</b>		
Current liability	18,993	20,054
Non current liability	-	14,331
	18,993	34,385
<b>Maturity analysis – contractual undiscounted cash flows</b>		
Less than one year	14,568	21,428
One to five years	-	14,568
More than five years	-	-
Total undiscounted lease liabilities	14,568	35,996
<b>Amounts recognised in profit and loss</b>		
Depreciation on right-of-use asset	19,286	6,789
Interest expense	1,227	722
Office lease expense	20,513	7,511

Amounts are recognised in expenses (note 3) for the years to 30 June 2020 and 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 increased by 3% from 1 March 2020. As at 30 June 2019, 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.

On 16 June 2020, the parent entity reached agreement with the landlord to reduce the rental payable over the remaining period and pre-paid the remaining rental up-front, reflected in the contractual undiscounted cash flows. The prepayment will be amortised in line with requisite profit and loss calculations until 28 February 2021. The same parameters as previously have been used to recalculate the right of use values and depreciation schedules over a ten month period.

In March 2020, the parent entity entered into a single year office lease, commencing on 1 July 2020. The same parameters have been used to recalculate the right of use values and depreciation schedules over a twelve month period.

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

#### 16. CONTROLLED ENTITIES

	<b>Country of Incorporation</b>	<b>Percentage Owned 2020</b>	<b>2019</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>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>

#### 17. PARENT ENTITY INFORMATION

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

Current Assets	609,114	3,184,340
Total Assets	2,044,064	4,755,855
Current Liabilities	699,830	628,489
Total Liabilities	699,830	662,874
Issued Capital	6,681,384	6,551,794
Share Based Payments Reserve	43,280	43,280
Accumulated Losses	(5,380,429)	(2,502,093)
Total Shareholders' Equity	<u>1,344,235</u>	<u>4,092,981</u>
(Loss) of the parent entity	<u>(2,878,336)</u>	<u>(1,386,476)</u>
Total comprehensive loss of the parent entity	<u>(2,878,336)</u>	<u>(1,386,476)</u>

As at 30 June 2020 and 30 June 2019, 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.

#### 18. CONTINGENT LIABILITIES

The Economic Entity has no outstanding contingent liabilities (2019: nil).

#### 19. ISSUED CAPITAL

19,948,555 fully paid authorised ordinary shares (2019: 19,150,000 shares)	<u>6,681,384</u>	<u>6,551,794</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 2020 (continued)

#### 19. ISSUED CAPITAL (continued)

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

##### ORDINARY SHARES

Date	Details	Number of shares	\$
1 July 2019	Opening balance	19,150,000	6,551,794
7 January 2020	Placement at \$0.20/share	570,000	114,000
8 May 2020	Placement at \$0.07/share	115,555	8,667
11 June 2020	Placement at \$0.075/share	113,000	8,475
	Capital raising costs	-	(1,552)
		<u>19,948,555</u>	<u>6,681,384</u>

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

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

#### 20. SHARE BASED PAYMENTS

The economic entity issued nil options (2019: nil) as share based payments during the period.

##### Executive Remuneration

No share based payments were made in the year to 30 June 2020 or 30 June 2019.

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 0.83 years (2019: 1.83 years).

#### 21. 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 (resigned 3 February 2020)
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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	
	2020	2019
	\$	\$
Short-term employee benefits	122,292	104,063
Post-employment benefits	24,896	4,406
Share based payments	-	-
	<u>147,188</u>	<u>108,469</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>2020</b>					
Wayne Adsett	43,188	-	-	-	43,188
Andrew Brown	5,259,171	-	798,555	-	6,057,726
Richard Ochojski	7,423	-	-	-	7,423
	<u>5,309,782</u>	<u>-</u>	<u>798,555</u>	<u>-</u>	<u>6,108,337</u>
<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>

##### Related party transactions

Related party transactions are set out in note 23.

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

#### **22. CAPITAL AND LEASING COMMITMENTS**

##### **(A) CAPITAL COMMITMENTS**

The Economic Entity has no outstanding capital commitments (2019: nil).

##### **(B) 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.

#### **23. 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 \$147,188 (2019: \$108,469) 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 2020 and 30 June 2019 – nil.

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

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

#### **25. COMPANY DETAILS**

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

#### **26. 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 2020 (continued)

	Economic Entity	
	2020	2019
	\$	\$
<b>27. CASH FLOW INFORMATION</b>		
<b>(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH OPERATING PROFIT/(LOSS) AFTER TAX</b>		
Operating loss after income tax	(2,870,526)	(936,761)
<b>Cash flows excluded from loss attributable to operating activities:</b>		
Purchases of equity investments	(7,363,357)	(5,727,754)
Sales of equity investments	10,140,020	5,513,921
Investment in derivatives account	(647,027)	(355,000)
Tax payment arising from acquired subsidiary	-	(20,455)
<b>Non cash flows in operating profit/(loss):</b>		
Change in fair value of equity investments retained	378,438	826,677
Change in fair value of derivative investments retained	(525,907)	93,944
Loss/(profit) on sale of equities	1,024,026	(166,019)
Loss on sale of derivatives	1,523,632	138,176
Other amounts capitalised to derivative account	-	266,034
Depreciation on right-of-use asset	19,646	6,789
Gain on bargain purchase	-	-
<b>Changes in assets and liabilities net of acquisitions:</b>		
(Increase)/decrease in deferred tax balances	-	(449,719)
(Increase)/decrease in sundry debtors & prepayments	(6,389)	(16,185)
(Decrease)/increase in trade creditors & accruals	(27,254)	5,802
Other	3,570	(13,762)
<b>Cash flows provided/(used in) by operations</b>	<b>1,648,872</b>	<b>(834,312)</b>
<b>(B) LOAN FACILITIES</b>		
Margin lending facilities	2,500,000	2,500,000
Related party loan facilities	-	-
Amount utilised	(65,828)	(539,679)
Unused loan facilities	2,434,172	1,960,321

At 30 June 2020, controlled entity E72IPL had a margin lending facility with a maximum limit of \$1,500,000 (2019: \$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 2020, controlled entity Stiletto had a margin lending facility with a maximum limit of \$1,000,000 (2019: \$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 2020 (continued)

		Economic Entity	
		2020	2019
		\$	\$
<b>28. 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
A2B Limited	Taxi management systems	56,700	189,738
Alleghany Corp	Reinsurance	-	97,080
Alliance Data Systems	Credit card systems	-	179,756
Australian Rural Capital	Agribusiness investment	106,793	185,411
Baby Bunting	Childcare products	32,200	-
Beazer Homes	US homebuilder	-	95,881
Berkshire Hathaway	Conglomerate	77,613	265,855
Boral Limited	Construction materials	75,800	-
Bollore	Logistics/investment	-	163,342
Brookfield DTLA preference	Los Angeles office ownership	46,870	100,770
Consolidated Comms	Broadband provider	-	42,161
(Walt) Disney Companies	Entertainment/media	-	99,316
Dreamscape Networks	Domain name sales & hosting	-	224,750
Easton Investments	Financial advisory	15,000	-
E-L Financial Corp	Financial services	-	72,968
Enterprise Diversified	Funds management	24,377	34,393
Fairfax India Holdings	Indian asset ownership	-	126,710
Fitbit	Body monitoring devices	-	94,071
Freedom Insurance Group	Run off insurer	32,000	32,000
Glennon Capital	Listed Investment Company	13,600	-
Gowings Limited	Investment	59,450	249,000
Janus Henderson Group	Funds management	-	121,160
ING Groep	Banking	-	148,582
Jefferies Financial	Merchant & investment banking	-	82,226
Joban Kaihatsu	Construction	-	81,899
Lindsay Australia	Logistics	-	34,500
Madison Square Garden Co	Sports team ownership	53,221	119,701
Madison Sq. Garden Entertainment	Arena ownership	43,478	-
McGrath Holdings	Real estate agency sales	-	225,000
Monash Absolute	Small company closed end LIC	-	285,250
MPC Containerships	Feeder vessel ownership	-	38,221
Namoi Cotton Co-operative	Cotton ginning & related	195,200	262,500
NZME Limited	NZ based media	-	120,300
Perpetual Limited	Wealth management, trustee	14,835	-
PICO Holdings	Water ownership	-	82,811
PM Capital Global Opp Fund	Global equity closed end LIC	-	273,750
Powerwrap	Financial services platform	53,625	-
Prime Media Group	Regional media	91,000	241,500
RENN Fund	Closed end US fund	110,435	111,018
Rights and Issues Inv Trust PLC	Closed end UK investment trust	-	72,681
Rubicon Technologies	Shell company	-	35,490
Schouw & Co	Danish conglomerate	-	43,421
Treasure ASA	Investment	58,503	67,151
vanEck Gold Miners ETF	Gold mining Investment	-	145,724
Virtu Financial	Market making	187,321	309,639

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

		Economic Entity	
		2020	2019
		\$	\$
<b>28. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)</b>			
<b>(A) FINANCIAL ASSETS – SHARES IN LISTED CORPORATIONS (continued)</b>			
Company	Industry	Value	Value
Vulcan International	Rubber products/investment	-	72,406
Webster Limited	Agribusiness, water	-	210,000
Wells Fargo	Financial services	-	111,488
Wm. Wilhelmsen Holding	Shipping based holding co.	-	66,416
Xplore Wealth	Financial services platforms	63,650	-
Yandex	Russian technology provider	-	54,162
Yellow Brick Road	Financial services franchisor	338,000	311,500
<b>TOTAL</b>		<b>1,750,466</b>	<b>5,981,695</b>

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

Company	Industry	Value	Value
Apple	Mobile devices & services	52,870	-
Banc of California	Financial institution	20,404	-
Intelsat SA	LEO satellites/spectrum	-	47,128
Netflix Inc	Subscription entertainment	-	130,887
PagerDuty	IT incident response platform	-	23,471
Splunk	Data analytics platform	37,436	-
Stifel Financial	Financial services	34,370	-
Tesla	Electric vehicles & related	62,598	-
vanEck semi conductor ETF	Technology ETF	44,290	-
WWE Entertainment	Sports promotion	-	61,753
Zoom Communications	Video communications	-	25,311
<b>TOTAL</b>		<b>262,991</b>	<b>288,550</b>

#### (C) FINANCIAL ASSETS – DERIVATIVE SECURITIES HELD

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

Company	Industry	Value	Value
AerCap Holdings	Aircraft leasing	-	333,588
Alphabet	Technology & IT investment	-	308,438
AMP Limited	Financial Services	-	212,000
Exor SpA	Holding company/reinsurance	-	299,223
Financiere de L'Odet	Intermediate holding co.	-	157,238
Goldman Sachs	Investment banking	-	233,409
KKR and Co LP	Private Equity	-	180,088
Lloyds Banking Group	Banking	-	138,124
Pact Group Holdings	Packaging	-	69,750
Seven West Media	Media	-	74,400
Vornado Realty Trust	Real estate ownership	-	182,725
<b>TOTAL NOTIONAL</b>		<b>-</b>	<b>2,188,983</b>
<b>TOTAL FAIR VALUE</b>		<b>-</b>	<b>(139,763)</b>

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

		Economic Entity	
		2020	2019
		\$	\$
<b>28. FINANCIAL INSTRUMENTS, RISK MANGEMENT AND CAPITAL RISK MANAGEMENT (continued)</b>			
<b>(D) FINANCIAL LIABILITIES – DERIVATIVE SECURITIES SOLD SHORT FOR FUTURE PURCHASE</b>			
The Economic Entity's derivative securities sold short comprise the following <u>notional</u> short exposures held through contracts for difference at fair value:			
Company	Industry	Value	Value
A2Milk	Dairy products	-	55,400
Afterpay Touch	Consumer credit	36,954	150,420
Altium	Circuit board design software	-	64,980
Apple	Consumer electronics	-	56,465
DAX	German equity index	24,700	746,973
Euro 50	European equity index	-	293,336
IDP Education	Online education provider	15,490	-
Kogan	Online retailing & services	22,080	-
Lululemon Athletica	Designer spandex	27,131	-
Macquarie Group	Financial services	-	125,390
Mirvac Limited	Property	-	109,550
NASDAQ 100 index	US equity index	35,675	400,244
Paycomm Software	Human capital software	31,422	-
Promedius	Medical imaging software	-	134,037
S&P/ASX 200	Australian equity index	40,594	2,486,277
S&P500 index	US equity index	86,635	2,360,096
Shopify	Online shopping	-	85,562
Tesla Inc	Solar/electrical vehicles	-	509,464
Wall Street index	Dow Jones IA Derivative	-	213,547
Wisetech Global	Logistics software	-	83,130
<b>TOTAL NOTIONAL</b>		<b>348,019</b>	<b>7,874,871</b>
<b>TOTAL FAIR VALUE</b>		<b>(59)</b>	<b>(386,202)</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.

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

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

##### (E) RISK MANAGEMENT - GENERAL

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

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

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

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

##### (F) CAPITAL RISK MANAGEMENT

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

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

The Company observed in the Notice of Meeting dated 22 March 2016 that it would maintain overall exposures – including the gross long positions and short positions held using derivatives to a maximum of six times equity, and single directional exposures to four times equity. Other restrictions were noted in relation to single security exposures. Further details are provided in note 280J 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 \$1,197 (2019: \$100,615).

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 2020 (continued)

#### 28. 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 2020</b>					
Financial assets:					
Cash and cash equivalents	0.58%	-	5,530	454,084	459,614
Trade and other receivables	-	-	-	51,231	51,231
Investments	-	-	-	1,787,176	1,787,176
		-	5,530	2,292,491	2,298,021
Financial Liabilities:					
Derivative account liabilities	-	-	-	5,794	5,794
Margin and broker borrowings	1.62%	-	579,356	-	579,356
Securities sold short	-	-	-	262,991	262,991
Trade and other payables	-	-	-	30,929	30,929
		-	579,356	299,714	879,070
Net Financial Assets/(Liabilities)		-	(573,826)	1,992,777	1,418,951
<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	-	-	-	7,238,972	7,238,972
		-	851,893	7,289,476	8,141,369
Financial Liabilities:					
Derivative account liabilities	1.84%	-	878,949	-	878,949
Borrowings	3.99%	-	2,755,604	-	2,755,604
Securities sold short	-	-	-	288,550	288,550
Trade and other payables	-	-	-	58,008	58,008
		-	3,634,553	346,558	3,981,111
Net Financial Assets/(Liabilities)		-	(2,782,660)	6,942,918	4,160,258

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

#### 28. 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 three 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 2020 is \$nil (2019: \$7,985);
- its exposure to sold securities transactions where members of recognised overseas exchanges are required to settle such transactions in the normal course of business on the relevant exchange. The Economic Entity currently exclusively uses Interactive Brokers Group Inc., a NASDAQ listed online broker, which is required to maintain a strict segmentation of client monies from those of the broker itself. The maximum amount to which the economic entity is exposed as at 30 June 2020 is \$nil (2019: \$nil); and
- its exposure to providers of contracts for difference ("CFD") and other derivatives. The economic entity attempts to ensure it deals only with CFD providers who maintain a strict segmentation of client monies from those of the CFD provider itself. The economic entity will not transact business with CFD providers who knowingly co-mingle client and principal funds.

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

##### (I) LARGELY CONTROLLABLE RISKS – OPERATIONAL AND LIQUIDITY RISK

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

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

To help mitigate these risks we maintain constant monitoring of the economic entity's financial position through a series of cross-linked financial programs, and attempt to ensure the economic entity has accessible liquidity in the form of cash, readily saleable securities and access to line of credit and margin financing. The contracted cash flows of all financial liabilities (refer notes 14-19) 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.

In the event that the listed company portfolio increased or decreased in value by 10% from the levels of 30 June 2020, there would be a corresponding impact, assuming perfect correlations between the securities, on pre-tax profit of \$20,116 (2019: \$726).

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

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

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

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.

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 2020 and 30 June 2019, the notional portfolio exposures exhibited the following characteristics in this respect:

<b>As at 30 June 2020</b>	<b>Exposure</b>	<b>Capital<sup>†</sup></b>	<b>Ratio</b>	<b>Maximum</b>
Gross long and short <u>notional</u> exposures (physical, derivative, futures contracts, delta adjusted options)	\$3,300,609	\$1,418,878	2.33:1	6:1
Gross long exposures (physical and derivative)	\$1,749,671	\$1,418,878	1.23:1	4:1
Gross short exposures (physical, derivative, futures contracts, delta adjusted options)	\$1,550,938	\$1,418,878	1.09:1	4:1
Single largest non-index long position	\$338,000	\$1,418,878	23.8%	6%
Single largest non-index short position	\$62,598	\$1,418,878	4.4%	6%
<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 <u>notional</u> 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%

† calculated before tax liabilities/assets

At 30 June 2020, the economic entity had six long positions (Australian Rural Capital Limited; Namoi Cotton Limited, Prime Media Limited, Renn Fund Inc., Virtu Financial Inc and Yellow Brick Road Limited) which had grown to in excess of the intended portfolio limits.

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.

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

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

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

	Economic Entity	
	2020	2019
	\$	\$
Net Financial Assets as above (note 28G)	1,418,951	4,160,258
<b>Non financial assets and liabilities:</b>		
Right of use lease asset	18,925	33,946
Office lease liability	(18,993)	(34,385)
Deferred tax assets	675,595	675,595
Deferred tax liabilities	-	-
Net assets per statement of financial position	2,094,478	4,835,414

##### (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 2020	Level 1	Level 2	Level 3	TOTAL
	\$	\$	\$	\$
Financial assets at fair value through profit or loss:				
Shares in other corporations	1,749,671	-	-	1,749,671
Shares in other corporations sold short	(262,991)	-	-	(262,991)
Derivative assets and put options	-	10,467	-	10,467
Derivative liabilities	-	(5,794)	-	(5,794)
TOTAL	1,486,680	4,673	-	1,491,353
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)
Derivative assets	-	352,984	-	352,984
Derivative liabilities	-	(878,949)	-	(878,949)
TOTAL	5,693,145	(525,965)	-	5,157,180

## EAST 72 HOLDINGS LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

#### 28. 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
	2020	2019				
Held for trading financial assets (see notes 12, 28A)	Listed equity securities:		Level 1	Quoted bid prices in an active market	N/A	N/A
	\$1,750,466	\$5,981,695				
Held for trading financial liabilities (see notes 12, 28B)	Listed equity securities:		Level 1	Quoted bid prices in an active market	N/A	N/A
	\$262,991	\$288,550				
Held for trading derivative financial assets (notes 28C)	Contracts for difference:		Level 2	Third party provided prices based on active market	N/A	N/A
	\$5,915	\$352,984				
Held for trading derivative financial liabilities (notes 28D)	Contracts for difference:		Level 2	Third party provided prices based on active market	N/A	N/A
	\$5,974	\$878,949				

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, and 28 to the financial statements.

## EAST 72 HOLDINGS LIMITED

### DIRECTORS DECLARATION

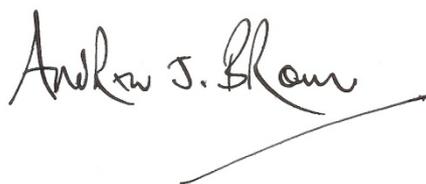
In accordance with a resolution of the Board of directors of East 72 Holdings Limited, we declare that:

- (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 2020 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 4 to 6 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: 3 September 2020



## 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 2020, 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 the accompanying 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 2020 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report 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 auditor independence requirements of 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 (including Independence Standards) (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.

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## INDEPENDENT AUDITOR'S REPORT (CONTINUED)



### Key Audit Matters (cont'd)

#### 1. Valuation & Existence of Securities Portfolio

##### Why significant

As at 30 June 2020, a significant proportion of the Company's assets (46%) and liabilities (29%) are made up of leveraged equities and derivative securities. The fair value of financial assets is \$1,787,176 (2019: \$7,238,972) and financial derivative liabilities are \$268,785 (2019: \$1,167,499) as disclosed in notes 12 and 28 of the financial report. As noted in note 1(F) of the financial report, securities are recognised initially at cost on trade date and are subsequently re-measured at fair value through the profit and loss in accordance with AASB 9.

Based on the above, we have considered the valuation 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 the population of financial assets and financial liabilities. Our procedures included but were not limited to:

- Agreeing the quantity of securities held by the consolidated entity as at 30 June 2020 and recognised in the financial report to external independent trading statements held in the consolidated entity's name and independent third party sources;
- Confirming the market value as at 30 June 2020 using trading websites such as the Australian Securities Exchange ("ASX"), New York Stock Exchange ("NYSE") and London Stock Exchange ("LSE"), and Euronext; and
- Reviewing reconciliations and supporting documentation to confirm market movements. This included calculating the gain/loss on a sample of shares sold by the consolidated entity during the year.

We also assessed the appropriateness of the related disclosures in Notes 12 and 28.

#### 2. Recognition and Valuation of Deferred Tax Assets

##### Why significant

As disclosed in Note 6 of the financial report, at 30 June 2020 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(D) 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)



### 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, with the exception of the Remuneration Report.

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 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 the 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 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. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Obtain an understanding of internal control relevant to the audit 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 consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.



### Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- 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.
- 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.
- 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 group financial report. We are responsible for the direction, supervision and performance of the group 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.

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, actions taken to eliminate threats or safeguards applied.

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 the 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 2020.

In our opinion, the Remuneration Report of East 72 Holdings Limited for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)



### 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.

A handwritten signature in black ink that reads 'PKF'.

PKF

A handwritten signature in black ink that reads 'P. Pearman'.

PAUL PEARMAN  
PARTNER

03 SEPTEMBER 2020  
SYDNEY, NSW

## EAST 72 HOLDINGS LIMITED.

### OTHER REQUIRED INFORMATION – YEAR ENDED 30 JUNE 2020

#### A. Range of Shares Issued as at 18 August 2020

As at 18 August 2020 there were 19,951,110 shares held by 95 shareholders, all of which were quoted on the NSXA.

Range	Holders	Shares held	% of capital
1-1,000	13	937	0.0
1,001-5,000	3	6,178	0.0
5,001-10,000	15	109,958	0.6
10,001-100,000	26	898,226	4.5
100,001-9,999,999,999	38	18,933,256	94.9
<b>Totals</b>	<b>95</b>	<b>19,948,555</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	13.23%
Donna Ann Brown	2,198,069	11.02%
Garrett Smythe Limited	1,666,667	8.35%
Andrew John Brown	1,185,146	5.94%
Abron Investments Pty Limited	1,003,764	5.03%
Abron Management Services Pty Ltd <Brown Family Super A/C>	1,001,110	5.02%
WSB Super Pty Limited <WSB Dist Super Fund A/C>	811,402	4.07%
Phillip Jason Stanway & Linda Jean Stanway <P & L Stanway Super Fund A/C>	763,466	3.83%
Pax Pasha Pty Limited	761,904	3.82%
Stephen Murray Roberts & Megan Roberts <Dover Downs Super Fund A/C>	680,667	3.41%
David John Gallop & Katherine Mary Gallop <Gallop Super Fund A/C>	671,428	3.36%
Laufmann Longterm Investments Pty Ltd <Laufmann Super Fund A/C>	452,381	2.27%
Clapsy Pty Limited <Baron Super Fund A/C PY>	430,700	2.16%
John Charrington & Pamela McBride <Islington Retire Fund A/C>	350,000	1.75%
Kew Superannuation Fund Pty Ltd <KW Super Fund A/C>	285,715	1.43%
TCWH Pty Ltd <TCWH Super Fund A/C>	285,715	1.43%
Patrick James Dymock Elliott	284,333	1.43%
Katherine Mary Gallop	250,000	1.25%
Lauren Julia Brown	217,116	1.09%
Ruck & Maul Pty Ltd <John Eales Family A/C>	214,287	1.07%
<b>TOP 20 SHAREHOLDERS</b>	<b>16,163,650</b>	<b>80.97%</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 2020 (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 18 August 2020:

<b>Holder</b>	<b>Shares held</b>	<b>% of capital</b>
Andrew John Brown and Donna Ann Brown (relevant interests)	6,057,726	30.4%
John Gordon Rayner & Sally Anne Rayner (relevant interests)	2,639,780	13.2%
Garrett Smythe Limited	1,666,667	8.4%