

26 August 2020.

Appendix 4E - Preliminary Final Results announcement to the market

1. Period Covered:

Year ended 30 June 2020

2. Key Information	June 2020	June 2019
Shareholder's Net Worth Change over the year - before dividend payout		
- Gains in Investments / related	(262)	978
- Income Account during year	48	(10)
	<u>(214)</u>	<u>968</u>
Change on Net Worth previous year	-2%	10%
Revenue from Ordinary Activities	\$000	\$000
Change on previous year	514	470
	9%	
Profit from Ordinary Activities after tax	48	(10)
Change on previous year	(Profit)	
Profit from all Activities after tax	48	(10)
Change on previous year	(Profit)	
Net Tangible Assets	10,275	10,801
Per Share (Cents)	45.3	47.6
Change on previous year	-5%	
Amount of Dividend Proposed:	1.375 cents	1.375 cents
Amount of Franking expected:	100%	100%
Record Date for dividend entitlements	2 Oct 2020	2 Oct 2019
Payment Date for dividend	12 Oct 2020	10 Oct 2019
Dividend Reinvestment Plan	Suspended	Suspended
Annual General Meeting Date:	21 Oct 2020	16 Oct 2019
Brief Explanation and background to the above results:		
1. London City reports a moderate year characterised by an excellent first half that suffered significant reduction in investment values following the onslaught of the covid-19 pandemic in the last four months. The final outcome is regarded positively by the Board and a constant dividend of 1.375 Cents was again declared.		
2. Since year end London City's portfolio value has risen by some \$1.6 million.		
3. London City's 7.0% shareholding in the well managed Fiducian Group Limited saw a small price decline over the year. It has, however, risen significantly following solid 2020 results.		
4. London City's legal action in the Supreme Court of NSW against Ernst & Young continues. Legal costs have been expensed. An expanded Statement on Claim was served on EY on 23 April and a Defence was received in that regard. London City is seeking significant information and documentation. Formal advice on London City's damages from an Expert Forensic Accountant is expected shortly. The Court has ordered "discovery" and mediation by late March 2021.		
5. Directors are continuing to examine an appropriate equity rights issue to increase London City's asset base and take account of additional investment opportunities.		



3. Income Statement

[See Attached Account Supporting Information]

	June 2020	June 2019
	\$000	\$000
Revenues:		
Dividends Received	503	469
Interest Received	1	1
Proceeds - Trading Investments	-	-
Other	10	-
	<u>514</u>	<u>470</u>
Less Costs:		
Management Fee Payable	(118)	(100)
Cost of Trading Investments	-	-
Litigation Expenses	(134)	(172)
Other Expenses:	<u>(214)</u>	<u>(208)</u>
Profit (Loss) Before Tax:	48	(10)
Plus (Less) Income Tax Expense	-	-
Net Profit after Tax attributable to Members	<u>48</u>	<u>(10)</u>

4. Balance Sheet

[See Attached Account Supporting Information]

Shareholders Equity	10,275	10,801
Per Ordinary Share	\$ 0.453	\$ 0.476

5. Statement of Cash Flows

[See Attached Account Supporting Information]

6. Dividends Paid

Amount paid (\$000)	312	312
Date Paid	11 Oct 2019	11 Oct 2018
Per Share	1.375 cent	1.375 cent
Amount of Franking:	100%	100%

7. Dividend Reinvestment Plan

The company's Dividend Reinvestment Plan is currently suspended.

8. Share Buy-back Programme

The company has no Share Buy-back programme presently operating.

9. Net Asset Backing Per Share at Year end:

Cents	45.3	47.6
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10. Retained Earnings

Balance at start of year	6,180	6,502
Profit (loss) after Tax for year	48	(10)
Less: Dividend Paid	<u>(312)</u>	<u>(312)</u>
Retained Earnings - year end	<u>5,916</u>	<u>6,180</u>

11. Details of entities over which control has been gained or lost during period.

There were no such entities.

12. Details of Associates

Name of Associate:	Imperial Pacific Limited	Imperial Pacific Limited
Percentage of ownership held by Imperial Pacific in London City:	31.15%	31.10%

13. Other Information:

Issued Capital - shares on Issue:

Ordinary Shares	22,676,099	22,676,099
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14. Commentary on Results



(a) General

1. London City's portfolio at year end was slightly below the previous years balance. However dividend income increased very well, supported by the 7% shareholding in Fiducian Group.
2. Net Tangible Assets per share fell a little from 47.6 cents to 45.3 cents, after paying a fully franked dividend of 1.375 cents in October 2019.
3. London City's litigation costs of \$133,000 have been expensed and impacted profit.

(b) Earnings Per Share:

Cents	(Note: No options exist)	0.21	(0.04)
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(c) Return to Shareholders

Profit after tax to Shareholders Equity at year end	0.47%	-0.09%
Profit after tax to Shareholders Equity at previous year end:	0.44%	-0.11%

15. Status - Audit:

1. The above Preliminary Final Report has been based on accounts which are in the process of being audited.
2. There are no items in dispute in relation to the accounts of the company.

Signed for and on behalf of the Board

Peter EJ Murray - Director and Chief Operating Officer

26 August 2020.



Attachment

Notes and Supporting Information relating to Appendix 4E

(Preliminary Final Results for announcement to the market.)

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London City Equities Limited

ABN 59 003 200 664



Income Statement for the year ended 30 June 2020

		2020	2019
	Notes	\$	\$
Revenue from ordinary activities	3	513,452	469,876
Other expenses from ordinary activities			
Management fees	4	(117,961)	(99,562)
Other Operating Expenses	4	(347,462)	(380,412)
		<u>(465,423)</u>	<u>(479,974)</u>
Cost of Trading Investments sold		-	-
Profit (Loss) from ordinary activities before tax		48,029	(10,098)
Income tax	5	-	-
Profit (Loss) for Year		<u>48,029</u>	<u>(10,098)</u>
Earnings per share:			
Earnings per share from profit from continuing operations attributable to the ordinary equity holders of the company.			
Basic and Diluted earnings per share (Cents)	26	0.21	(0.04)

The accompanying notes form part of these financial statements.

London City Equities Limited

ABN 59 003 200 664



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

	<i>Notes</i>	2020 \$	2019 \$
Profit (Loss) for Year		48,029	(10,098)
Other Comprehensive Income (Expense)			
Items that will not be recycled through the Income Statement:			
Net Realised and Unrealised Gain (Loss) for the period on securities in the Investment Portfolio:	14	(262,528)	978,288
Total Other Comprehensive Income (Expense)		<u>(262,528)</u>	<u>978,288</u>
Total Comprehensive Income (Expense) for the year		<u>(214,499)</u>	<u>968,190</u>

The accompanying notes form part of these financial statements.

London City Equities Limited

ABN 59 003 200 664



Balance Sheet as at 30 June 2020

	Notes	2020 \$	2019 \$
Current assets			
Cash and cash equivalents	6	1,221	15,566
Trade and other receivables	7	62,544	55,016
Total current assets		63,765	70,582
Non-current assets			
Investment Portfolio	8	11,153,289	11,241,225
Deferred Tax Assets	9	2,160,000	2,160,000
Total non-current assets		13,313,289	13,401,225
Total assets		13,377,054	13,471,807
Current liabilities			
Trade and other payables	10	1,087,989	544,446
Total current liabilities		1,087,989	544,446
Non-current liabilities			
Deferred Tax Liability - Investment Portfolio	11	2,014,000	2,126,000
		2,014,000	2,126,000
Total liabilities		3,101,989	2,670,446
Net assets		10,275,065	10,801,361
Equity			
Share Capital	12	4,507,475	4,507,475
Realised Capital Gains Reserve	14 (a)	(6,739,135)	(6,739,135)
Unrealised Revaluation Reserve	14 (b)	6,590,106	6,852,634
Retained Profits	14 (c)	5,916,619	6,180,387
Total equity		10,275,065	10,801,361

The accompanying notes form part of these financial statements.

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London City Equities Limited

ABN 59 003 200 664



Statement of Changes in Equity for the Year Ended 30 June 2020

	Notes	2020 \$	2019 \$
Total Equity at the beginning of the year		10,801,361	10,144,969
Transactions with Equity holders in their capacity as equity holders:			
Contributions/(Decrease) in Equity, net of transaction costs:	12	-	
Dividends paid:	15	(311,797)	(311,798)
Total transactions with Equity holders in their capacity as equity holders:		(311,797)	(311,798)
Income and Expense for Year:			
Profit (Loss) for Year:		48,029	(10,098)
Other Comprehensive Income (Expense) Items:			
Net Unrealised Gain (Loss) for the period for stocks held on 30 June	14	(262,528)	978,288
Net Realised Gain (Loss) for the period for stocks held on 30 June	14	-	-
Total other comprehensive income (including realised and unrealised gains and losses) for the year		(262,528)	978,288
Total Equity at the end of the year		10,275,065	10,801,361

The accompanying notes form part of these financial statements.

London City Equities Limited

ABN 59 003 200 664



Cash Flow Statement for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(416,961)	(363,979)
Dividends Received		503,450	468,665
Interest Received		3	1,213
Other Income		10,000	-
Net cash inflow (outflow) from operating activities	25	96,492	105,899
Cash flows from investing activities			
Payments for investments		(278,962)	(351,994)
Proceeds from sale of investment		-	-
Net cash inflow (outflow) from investing activities		(278,962)	(351,994)
Cash flows from financing activities			
Increase in Issued Capital		-	-
Related Corporations		479,921	295,831
Other Parties			(65,268)
Dividends paid		(311,796)	(311,796)
Net cash inflow (outflow) from financing activities		168,125	(81,233)
Net increase (decrease) in cash held		(14,345)	(327,328)
Cash at beginning of the financial year		15,566	342,894
Cash at end of the financial year	6	1,221	15,566

The accompanying notes form part of these financial statements.

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Note 1: Summary of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards ("AASBs") adopted by the AASB. The financial statements have been prepared in accordance with AIFRS (Australian Equivalents to International Financial Reporting Standards).

The Company has endeavoured to adopt "plain English" where possible to assist in information transparency.

The following is a summary of the significant accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless stated otherwise.

Basis of Accounting

London City Equities Limited is a listed public company incorporated and domiciled in Australia. It is a free standing company and its accounts are presented as such. The financial statements are prepared using the valuation methods described below for holdings of securities. All other items have been treated in accordance with historical cost convention.

In the application of the Company's accounting policies described above, the Directors are required to evaluate estimates and judgments that may be incorporated into the financial statements. Estimates and associated assumptions are based on historical experience and assume a reasonable expectation of future events. Actual results may differ from these estimates.

There are no estimates or judgments that have a material impact on the Company's financial results for the year ended 30 June 2020. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgments are required in respect to their valuation. Revisions to accounting policies are recognised in the period in which the estimate is revised.

(a) Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to the unused tax losses. The rate of 30% has been adopted for these statements.

Deferred tax assets and liabilities are offset as all current and deferred taxes relate to the Australian Taxation Office and can legally be settled on a net basis. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those differences and losses.

A tax provision is made for the unrealised gain or loss on Trading Portfolio securities valued at market value through the Income Statement. A Tax rate of 30% has been adopted.

Where non-current Investment Portfolio assets are adjusted for unrealised gains or losses at balance date in the Unrealised Revaluation Reserve an assessed deferred tax liability or asset is created to reflect the applicable tax, even though there may be no intention to dispose of those holdings. The tax sum is applied to the Unrealised Revaluation Reserve on one hand and the deferred tax liability or asset on the other.

(b) Investments

The Company had early adopted AASB 9 - Financial Instruments. The Company has voluntarily adopted this standard as it is considered to result in a presentation that better reflects the performance and operations of the Company. A feature of AASB 9 is that unrealised gains or losses to fair value of the investment portfolio are not treated as "impairment" charges in the Income Statement but are reflected in the unrealised reserve account.

The Company has two discrete types of investments - the Trading Portfolio (Current Assets) and the Investment Portfolio (Non-Current Assets). The Company is a long term investor. All investments are initially recognised at the fair value of the consideration given. After initial recognition, investments (classified as either Trading or Investment) are measured at their fair value. Fair Value of listed securities is determined by reference to the last sale price at the close of business at balance date. Gains or losses on Trading Portfolio investments are recognised in the Income Statement. Gains or losses on Portfolio investments are recognised as a separate component of equity in the Unrealised Revaluation Reserve.

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London City Equities Limited

Notes to the financial statements - 30 June 2020

Note 1: Summary of significant accounting policies (Cont'd)



(c) Non-Current Assets

The carrying amounts of all non-current assets other than investments are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts, the relevant cash flows have been discounted to their present value.

(d) Derivatives

To a large extent the company may be exposed to fluctuations in interest rates with its activities. It is not the policy of the company to use derivative financial instruments. The company does not hedge its exposure to interest rates.

(e) Financial Risk issues

The economic entity has in place risk management controls supervised by the Board and the Audit, Compliance and Risk Management Committee. Risk issues are explained further in Note 16 of the financial statements.

(f) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from the rendering of a service is recognised upon meeting the relevant performance obligations.

(h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable where invoiced. The net amount of GST recoverable from, or payable to the ATO is included with other payables in the balance sheet. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are reported as operating cash flows.

(i) Leases

During the current year, the Company adopted all of the new and revised Australian Accounting Standards and interpretations applicable to its operations which became mandatory. The Company has recognised and adopted AASB 16: Leases. Under AASB 16, a lessee is required to recognise, at the commencement date of the lease, the present value of the remaining non-cancellable lease payments as a lease liability on the statement of financial position with a corresponding right-of-us asset. The un+A524wind of the financial charge on the lease liability A573 includes depreciation and an interest borrowing rate expense. The Copmpany has assessed that it is not a party to any arrangements that are required to be accounted for as Leases under AASB 16.

(j) New Standards and interpretations not yet adopted.

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The reported results and position of the Company will not change on adoption of these pronouncements as they do not result in any changes to the Company's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The Company does not intend to adopt any of these pronouncements before their effective date.

London City Equities Limited
Notes to the financial statements - 30 June 2020



Note 2. Segmental information

The economic entity predominantly acted through the year as a strategic investor investing funds in Australia.

	Equity Investment	Other	Total
2020			
Revenue	\$	\$	\$
Investment /other revenue	503,449	10,003	513,452
Segment result			
Profit (loss) after tax	203,822	(155,793)	48,029
Segment assets	13,253,289	123,765	13,377,054
Segment liabilities	(2,557,995)	(543,995)	(3,101,990)
Net cash inflow from operating activities	378,362	(281,870)	96,492
2019			
Revenue	\$	\$	\$
Investment /other revenue	468,664	1,212	469,876
Segment result			
Profit (loss) after tax	142,834	(152,932)	(10,098)
Segment assets	13,341,225	130,582	13,471,807
Segment liabilities	(2,398,223)	(272,223)	(2,670,446)
Net cash inflow from operating activities	213,880	(107,981)	105,899

Note 3. Revenue

	2020	2019
From continuing operations	\$	\$
Interest - Other Corporations	3	1,212
Dividends	503,449	468,664
Other Income	10,000	-
Sales - Trading investments	-	-
Total Operating Revenue	513,452	469,876

Note 4. Profit from ordinary activities

Profit from ordinary activities before income tax expense includes the following specific expenses:

Expenses

Auditors Fees (Note 18)	17,500	17,000
Directors fees (Note 17)	90,000	91,500
Superannuation - Directors (Note 17)	8,550	8,693
Licence fee payable regarding premises	25,203	27,244
Management fees - associated company		
- Basic management fee	117,961	99,562
- Performance Fee	-	-
- Basic management fee (GST lost)	-	1,037
Legal and associated Costs	133,831	171,687
Other Operating Expenses	72,378	63,251
Total Operating Expenses	465,423	479,974

Cost of Trading Investments sold

Operating Profit before Tax	48,029	(10,098)
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(b) Individually significant items included above

Management fees - associated company	117,961	99,562
Litigation Expenses re Ernst & Young	133,831	171,687

London City Equities Limited
Notes to the financial statements - 30 June 2020 (Cont'd)



Note 5. Income Tax Expense

	2020	2019
(a) The components of income tax credit (expense) comprise:		
Current Tax	-	-
Deferred Tax	-	-
	<u>-</u>	<u>-</u>

(b) The income tax credit (expense) for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:

Profit from ordinary activities before income tax expense	48,029	(10,098)
Income tax calculated at 30%	(14,409)	3,029
Less: Tax Effect of :		
- Recoupment of prior year losses	-	-
- Net Dividend Franking Credit re dividends	14,409	(3,029)
- Future income tax benefits arising in prior years not previously brought to account	-	-
Income tax benefit (expense)	<u>-</u>	<u>-</u>

(c) Amounts recognised directly in equity:

Decrease (Increase) in deferred tax asset relating to		
(i) capital gains tax on the increase in unrealised losses in the Investment Portfolio	311,000	311,000
(ii) capital gains tax on realised loss in the Investment Portfolio	-	-
Net Movement	<u>311,000</u>	<u>311,000</u>

(d) Deferred tax assets not recognised

No future income tax benefit has been brought to account in the accounts in respect of estimated tax losses of :

Revenue Losses	2,466,000	2,145,000
Capital Losses	7,090,000	7,090,000
	<u>9,556,000</u>	<u>9,235,000</u>

These losses have not been confirmed by the tax authorities. The taxation benefits will only be obtained if:-

- (i) Assessable income is derived of a nature and of amount sufficient to enable the benefit of the deductions to be realised;
- (ii) Conditions for deductibility imposed by the law complied with; and
- (iii) No changes in tax legislation adversely affect the realisation of the benefit and of the deductions.

It is noted that London City's present share portfolio holds substantial Unrealised Gains (Note 14). A894

Note 6. Current assets - Cash and cash equivalents

Cash at Bank and on Hand	1,221	15,566
The above figures are the final balances of the statement of cash flows.		

Note 7. Current assets - Trade and other receivables

Other debtors	63,765	55,016
	<u>63,765</u>	<u>55,016</u>

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London City Equities Limited
Notes to the financial statements - 30 June 2020



Note 8. Non current assets - Investment Portfolio

	2020	2019
Listed investments		
Listed securities of corporations at market value	11,027,812	11,099,915
Unlisted investments		
Unlisted securities of corporations at market value	125,477	141,310
	11,153,289	11,241,225

Note 9. Non current assets - Deferred Tax Assets

Recognised deferred tax assets are attributable to the following:

Tax Value of loss carry-forwards recognised:

Unrealised Capital Losses	2,100,000	2,100,000
Revenue Losses	60,000	60,000
	2,160,000	2,160,000

Note 10. Current liabilities - Trade and Other Payables

Unsecured liabilities

Sundry Creditors	148,353	84,733
Amounts payable to associated company	939,636	459,713
	1,087,989	544,446

Note 11. Non-current liabilities - Deferred Tax Liability

Deferred Tax Liabilities on Unrealised Gains in the
Investment Portfolio

2,014,000	2,126,000
2,014,000	2,126,000

Note 12. Share Capital

(a) Issued capital

22,676,099 (2019: 22,676,099) fully
paid ordinary shares

4,507,475	4,507,475
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(b) Movement in ordinary share capital:

Balance at beginning of accounting period

4,507,475	4,507,475
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Movements during year:

-	-
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Balance at reporting date

4,507,475	4,507,475
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(c) Movement in ordinary share numbers:

Balance at beginning of accounting period

Number	Number
22,676,099	22,676,099

Movements 2019 - 2020:

-	-
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Balance at reporting date

22,676,099	22,676,099
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(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number and amounts paid on the shares. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll is entitled to one vote.

Note 13. Capital Management

The Company's objective in managing capital is to continue to provide shareholders with attractive investment returns over the medium to longer term through access to a steady stream of fully-franked dividends, minimal gearing and enhancement of capital invested. Its goals include paying dividends that, over time, grow faster than the rate of inflation.

The company recognises that its capital will fluctuate in accordance with market conditions and the performance of its underlying investments. It may adjust the amount of dividends paid, issue new shares from time to time, buy-back its own shares or sell assets to minimise debt. At present there is no share buy-back programme in operation. The company intends to pay dividends according to franked credits available.

London City Equities Limited
Notes to the financial statements - 30 June 2020



Note 14. Reserves and retained profits

	2020	2019
(a) Realised Capital Gains Reserve	\$	\$
Balance - beginning of year	(6,739,135)	(6,739,135)
Gain (Loss) realised during year	-	-
Balance - year end	<u>(6,739,135)</u>	<u>(6,739,135)</u>
(b) Unrealised Revaluation Reserve		
Balance - beginning of year	6,852,634	5,874,346
Reverse Unrealised - Prior Year	(7,088,634)	(6,135,346)
Reverse Applicable Tax - Prior Year	2,126,000	1,840,000
Increase in Unrealised Gains	6,714,106	7,088,634
Provision for Tax on Unrealised Gains	(2,014,000)	(2,126,000)
Less: Unrequired Provision due to past tax losses	-	311,000
Balance - year end	<u>6,590,106</u>	<u>6,852,634</u>
(c) Retained Profits		
Retained Profits at the start of the financial year	6,180,387	6,502,282
Net profit (loss) for the year	48,029	(10,098)
Dividends paid	(311,797)	(311,797)
Retained Profits at the end of the financial year	<u>5,916,619</u>	<u>6,180,387</u>

(d) Nature and purpose of reserves

Realised Capital Gains Reserve

The Realised Capital Gains Reserve records realisation gains or losses from the sale of non-current assets. The reserves may be used for the distribution of bonus shares to shareholders and is available for the payment of cash dividends as permitted by law.

Unrealised Revaluation Reserve

The Unrealised Revaluation Reserve is used to record increments and decrements on the revaluation of non-current Investment Portfolio assets, as described in the accounting policies and adjusted to reflect the applicable deferred tax liability or asset. It is then reduced according to future tax benefits.

Note 15. Dividends

(a) Status of dividends

Dividend paid - Fully Franked	11 Oct 2019	<u>(311,797)</u>	<u>(311,797)</u>
Total Dividends Paid		<u>(311,797)</u>	<u>(311,797)</u>
Proposed fully franked dividends			
- 1.375 Cents per share (Ordinary Div.)	12 Oct 2020	<u>(311,797)</u>	<u>(311,797)</u>

Note: The dividend recommended for October 2020 has not been accrued in the above accounts.

(b) Franking credits

Franking credit tax component available for dividends in future years	720,000	450,000
Fully franked dividends possible at tax rate of 30%	<u>1,680,000</u>	<u>1,050,000</u>

Note: The above amounts represent the balance of the franking account as at the end of the financial year adjusted for franking credits and debits arising from payment of tax and receipt of franked dividends.



Note 16. Financial instruments and risk

A. Financial instruments - fair value of financial assets and liabilities

Accounting Standards require the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

2020 Allocation	Level 1	Level 2	Level 3	Total
Financial assets	\$	\$	\$	\$
Cash & cash equivalents	1,221			1,221
Receivables		63,765		63,765
Portfolio Investments	11,153,289			11,153,289
Financial liabilities				
Other creditors	(1,087,989)			(1,087,989)
2019 Allocation	Level 1	Level 2	Level 3	Total
Financial assets	\$	\$	\$	\$
Cash & cash equivalents	15,566			15,566
Receivables		-		-
Portfolio Investments	1,087,989			1,087,989
Financial liabilities				
Other creditors	(10,275,065)			(10,275,065)

B. Main Risk Considerations

London City's activities expose it to various financial risks, mainly market risk, credit risk and liquidity risk. Risk management is carried out by senior management under policies and strategies approved by the Board and the Audit, Compliance and Risk Management Committee. The company is not directly exposed to currency risk.

(a) Market Risk

This is the risk that the fair value of future cash flows of a financial instrument may fluctuate because of changes in market prices that depend on many factors including economic conditions and corporate profitability. London City seeks to reduce market risk by adhering to the prudent investment guidelines of its Board, including guidelines in respect of industry status, investee position in industry, performance outlook, management skills and level of strategic shareholding acquired. Price and Interest Rate risks are shown below.

(a) (i) Price Risk

The company is exposed to equities securities price risk. This arises from investments held by the company and classified on the balance sheet as either Trading or Investment. London City is not directly exposed to commodity price risk or derivative securities risk.

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Note 16. Financial instruments and risk (Cont'd)

Price Risk Sensitivity Analysis:

The table below summarises the pre-tax impact of both a general increase and general fall in stock-market prices by 10%. The analysis is based on the assumption that the movements are spread equally over all assets in the Trading and Investment Portfolios.

	--- 2020 ---		--- 2019 ---	
	10.0% increase in market prices	10.0% decrease in market prices	10.0% increase in market prices	10.0% decrease in market prices
	\$	\$	\$	\$
Impact on Profit (Pre tax)	(11,241)	11,241	(11,241)	11,241
Impact on Equity (Pre tax)	1,124,123	(1,124,123)	1,124,123	(1,124,123)

(a) (ii) Interest Rate Risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At balance date London City had a proportion of its assets held in interest-bearing bank accounts and deposits at call. As such, the company's revenues and assets are subject to interest rate risk to the extent that the cash rate falls over any given period. Given that London City does not have any interest bearing liabilities at balance date, the Board and management do not consider it necessary to hedge the group's exposure to interest rate risk.

Interest Rate Risk Sensitivity Analysis:

The table below summarises the pre-tax impact of both a decrease and an increase in interest rates by 100 basis points (1.00%). The analysis is based on the assumption that the change is based on the amounts of cash at bank and cash on hand at year end.

	--- 2020 ---		--- 2019 ---	
	100 bps increase in Interest Rate	100 bps decrease in Interest Rate	100 bps increase in Interest Rate	100 bps decrease in Interest Rate
	\$	\$	\$	\$
Impact on profit (pre-tax)	156	(156)	156	(156)

(b) Credit Risk

The credit risk on the financial assets of an entity is the risk that one party to a financial instrument may cause a financial loss for the other party by failing to discharge an obligation. This credit risk for London City is minimised by its policy of placing surplus funds with the company's bankers.

(b) (i) Cash and Cash Equivalents

The credit risk of London City in relation to cash and cash equivalents is in the carrying amount and any accrued unpaid interest. The average weighted maturity of the cash portfolio at any time is no greater than 90 days. The credit quality of material deposits of cash and cash equivalents can be assessed by reference to external credit ratings.

	2020	2019
Cash at bank and short-term bank deposits:		
AA -	1,221	15,566

(b) (ii) Trade and sundry receivables

The credit risk of the company in relation to trade and sundry receivables is their carrying amounts. The sums are minor and relate mainly to accrued interest and prepayments. The risk is mitigated by internal monitoring.

(c) Liquidity Risk

This risk is that experienced by an entity when it has difficulties meeting its financial obligations. London City has no external formal borrowings. It manages liquidity carefully, recognising dividend inflow timing and maturity balances of term deposits and marketable securities. London City's Board and management actively reviews its liquidity position on a regular basis to ensure that the company can always meet its commitments, including investment programmes. Directors are aware that at 30 June 2020 current liabilities exceed current assets by some \$473,000. While investments can be sold quickly to reduce debt a large portion of the current liabilities comprises temporary advances of \$460,000 by related party Imperial Pacific Limited in which no interest is payable and carries a 90 day repayment notice period, pending London City's planned equity raisings.

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Note 16. Financial instruments and risk (Cont'd)

(c) (i) Maturities of financial assets

The following table details London City's maturity periods of its financial assets. This table has been prepared based on the fair values of financial assets as at 30 June and according to the committed deposit maturing dates. Estimates are continually evaluated and are based on historical experience and expectations which are considered reasonable.

Maturity:	2020	2019
Immediate	1,221	15,566
To 30 Days	62,544	55,016
30 - 365 days	-	-
Longer Term	11,153,289	11,241,225

(c) (ii) Maturities of financial liabilities

The following table details the company's maturity periods of its financial liabilities. This table has been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which London City is liable to meet its obligations. The table includes both interest (where applicable) and principal cash flows.

Maturity:	2020	2019
To 30 Days	1,087,989	544,446

Note 17. Directors and Executives' Remuneration

The company has no executives. Its portfolio is managed by a Management Agreement with Imperial Pacific Asset Management Pty Limited. The management charge for 2020 was \$99,562 (2019 - \$105,346).

(a) Names and positions held of directors and specified executives in office at any time during the financial year are:

Mr P E J Murray	- Chair and Chief Operating Officer
Mr DA Sutherland **A993	- Director - Non-Executive
Mr DG Butel	- Director - Non-Executive
Mr NE Schafer	- Director - Non-Executive

(b) Directors' Remuneration:

2020	Salary, Fees Commissions	Primary Super Contributions	Post Employment	Other (Equity Options Etc)	Total \$
Mr P E J Murray	30,000	2,850	-	-	32,850
Mr D G. Butel	30,000	2,850	-	-	32,850
Mr N E Schafer #	30,000	2,850	-	-	32,850
	<u>90,000</u>	<u>8,550</u>	<u>-</u>	<u>-</u>	<u>98,550</u>

2019	Salary, Fees Commissions	Primary Super Contributions	Post Employment	Other (Equity Options Etc)	Total \$
Mr P E J Murray	30,000	2,850	-	-	32,850
Mr D A Sutherland **	22,500	2,138	-	-	24,638
Mr D G. Butel	30,000	2,850	-	-	32,850
Mr N E Schafer #	9,000	855	-	-	9,855
	<u>91,500</u>	<u>8,693</u>	<u>-</u>	<u>-</u>	<u>100,193</u>

** Retired on 19 March 2019 # Appointed 19 March 2019

(c) Shareholdings

Number of Shares held by Directors and Specified Executives

	Balance 01-Jul-19	Received as Remuneration	Options Exercised	Net change *	Balance 30-Jun-20
Mr P E J Murray	7,939,844	-	-	10,000	7,949,844
Mr D G Butel	7,143,739	-	-	10,000	7,153,739
Mr N E Schafer	7,053,039	-	-	10,000	7,063,039

* Net change refers to shares purchased, sold or resulting from relevant interest during the financial year

Note: Each holding includes 7,063,039 shares (2019 - 7,053,039 shares) held by Imperial Pacific Ltd.



Note 17. Directors and Executives' Remuneration (Cont'd)

(d) Remuneration Practices

1. The company has no executives.
2. The remuneration arrangements for directors are determined by the shareholders in general meeting. From time to time the Board may submit proposals to increase the fees, which are presently a maximum of \$125,000. The company has scope to remunerate Directors for special duties that may be requested on occasion.
3. There is a formal management agreement in place with Imperial Pacific Asset Management Pty Limited, a subsidiary of Imperial Pacific Limited. This was approved by shareholders on 16 November 2004 and provides for, inter alia, a term of 15 years from 1 July 2005 and fees of 1% of the value of the Portfolio, together with possible performance fees of 15% of any gain achieved above the performance of the S&P ASX 300 Accum Index movement. The total fee payable during 2020 was \$99,562 (2019 \$105,346).
4. Interests of Mr Murray were paid \$126,960 by Imperial Pacific Limited during 2020.
5. The company has a Remuneration Committee in operation.

Note 18. Auditor's remuneration

	2020	2019
	\$	\$
Remuneration for audit review of the financial reports of the parent entity or any entity in the consolidated entity.		
Cutcher & Neale - Assurance services	14,700	14,700
	<u>14,700</u>	<u>14,700</u>
Remuneration for other services		
Cutcher & Neale - Other compliance services	2,300	2,300
	<u>2,300</u>	<u>2,300</u>
	<u>17,000</u>	<u>17,000</u>

Note. London City's Audit, Compliance and Risk Management Committee oversees the relationship with the Auditors, including reviewing the scope of the audit and the proposed fee.

Note 19. Legal Matter - Ernst & Young

Legal action has taken place with Penrice Soda Holdings Limited ("Penrice") since 2010. On 31 July 2014 liquidators were appointed over Penrice and the operations closed. London City incurred substantial direct and indirect losses regarding its investment in Penrice. During 2019 London City and other parties began legal proceedings in Supreme Court of NSW by lodging a Statement of Claim against Ernst & Young, the former auditor of Penrice, seeking appropriate recompense. Following a Court hearing on 29 March 2020 Justice Fullerton handed down on 1 August 2020 her judgment that London City's Statement of Claim be accepted and that there was a tenable case on the question of duty of care owed to shareholders altering their behaviour on the basis of EY's conduct as auditors. A further Statement of Claim was served on EY on 23 April 2020 and a Defence since received from that firm. Proceedings continue. A report has been commissioned by the Directors from a Forensic Accountant Expert to assess the damages suffered by London City. At this date there is insufficient information at this date to estimate the extent of future benefit or costs that may arise.

Note 20. Contingent liabilities

Directors report that the legal action taking place regarding Ernst & Young may carry some contingent liabilities, together with minor bank guarantee arrangements regarding office rentals. Otherwise, the Directors of London City are not aware of any contingent liabilities that may impact on the company.

Note 21. Capital and Leasing commitments

	2020	2019
	\$	\$
(a) Capital Expenditure Commitments		
There are no material capital commitments outstanding at year end.	0	0
(b) Licence Fee Arrangements - Premises		
Arrangement in relation to use of premises at the reporting date but not recognised as liabilities, payable		
Not later than one year	25,203	25,203
Between 1 & 2 years	11,099	26,212
Later than 2 years but not later than 5 years		11,099
	<u>36,302</u>	<u>62,514</u>

These arrangements represent a premises use licence.

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Note 22. Related parties

Directors

The names of persons who were Directors of London City Equities Limited at any time during the financial year were Mr P.E.J.Murray, Mr D.A.Sutherland, Mr. D.G.Butel and Mr N.E.Schafer. Each of these parties were directors of associated company, Imperial Pacific Limited and its group companies during the same period, including the subsidiary Imperial Pacific Asset Management Pty Ltd, the manager of London City's Portfolio.

Remuneration

Information on remuneration of directors is disclosed in Note 17.

Other related parties

Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with other related parties, predominantly its associate Imperial Pacific Limited.:

Management fee payable:	2020	2019
Associated Entity - Imperial Pacific Limited Group	117,961	99,562
Amounts payable at balance date to Imperial Pacific Limited Group	939,636	459,713

Note 23. Economic dependency

The main trading activity of the company during the year was investment in equities, property and cash deposits. From time to time a significant strategic investment may be made which could influence its economic dependency. London City Equities owns 6.5% of the equity capital of Fiducian Group Limited, a financial services company. Accordingly, London City has some dependency on the financial services sector. With funds on deposit the company's revenue has some dependence on interest rate levels.

Note 24. Events occurring after balance date

As reported in Notes 19 and 20 above, London City has in place proceedings in the Supreme Court of NSW against Messrs Ernst & Young, the former auditors of Penrice Soda (now in liquidation). These proceedings are active. An important hearing took place on 29 March 2020 and Judgment was handed down on 1 August. London City has instructed its lawyers to pursue a full hearing. A further Statement of Claim was served on Ernst & Young on 23 April 2020 and Defence received in response. The Court has ordered "discovery" and mediation to be pursued by the end of March 2021.

An Ordinary Dividend of 1.375 Cents per share has been proposed for payment in October 2020. This has not been provided for in the financial statements.

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London City Equities Limited
Notes to the financial statements - 30 June 2020



Note 25. Cash Flow Information

	2020	2019
Reconciliation of operating profit after income tax to net cash inflow from operating activities:		
Operating Profit (Loss) after Income Tax	48,029	(10,098)
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Other Debtors, prepayments	27,481	(29,038)
Increase (Decrease) in Other Creditors	20,982	145,035
Net Cash inflow from Operating Activities	96,492	105,899

Cash Balances at year end:

Money at Bank and on Hand	1,221	15,566
	1,221	15,566

Note 26. Earnings per share

	Cents	Cents
Basic and Diluted earnings per share (Note: No dilution as no options in existence).	0.21	(0.04)

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	22,676,099	22,676,099
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