

23 August 2021

Appendix 4E - Preliminary Final Results announcement to the market

1. Period Covered:

Year ended 30 June 2021

2. Key Information

June 2021

June 2020

\$000

\$000

Shareholder's Net Worth Change over the year - before dividend payout

- Gains in Investments / related	3,291	(262)
- Income Account during year	(29)	48
- New Capital - Rights Issue	3,004	-
	<u>6,266</u>	<u>(214)</u>
Change on Net Worth previous year	61%	-2%

Revenue from Ordinary Activities	559	514
<i>Change on previous year</i>	9%	
Profit from Ordinary Activities after tax	(29)	48
<i>Change on previous year</i>	(Loss)	
Profit from all Activities after tax	(29)	48
<i>Change on previous year</i>	(Loss)	
Net Tangible Assets	16,236	10,275
Per Share (Cents)	53.7	45.3
<i>Change on previous year</i>	19%	
Amount of Dividend Proposed:	1.375 cents	1.375 cents
Amount of Franking expected:	100%	100%
Record Date for dividend entitlements	15 Oct 2021	2 Oct 2020
Payment Date for dividend	22 Oct 2021	12 Oct 2020
Dividend Reinvestment Plan	Operating	Suspended
Annual General Meeting Date:	27 Oct 2021	21 Oct 2020

Brief Explanation and background to the above results:

- London City reports an excellent year in which the value of portfolio holdings improved markedly from the subdued levels across world markets in June 2020. The final outcome is viewed very positively by the Board. The Rights Issue funds raised in late 2020 have boosted equity levels and allowed for portfolio expansion. A steady dividend of 1.375 Cents is again declared payable - and the newly implemented Dividend Reinvestment Plan will be available.
- London City's 7.0% shareholding in the well managed Fiducian Group Limited rose in value during the year. A jointly held 8% holding in Excelsior Capital Limited rose slightly.
- Since year end London City's portfolio value has risen by some \$3.3 million. After applying tax on the additional unrealised gain the net improvement is approx \$2.6 million.
- London City's legal action in the Supreme Court of NSW against Ernst & Young continues. Legal costs have been expensed. While the Board was expecting the matter to be completed by March 2021 delays have occurred due to EY changing legal firms in mid March and a key EY witness going on sabbatical in April / May. Last year an Expert Forensic Accountant assessed the damages suffered ranged between \$9.0 to \$15.2 million as at 31 December 2019. The damages were re-assessed again this year by the Expert Forensic Accountant and are now estimated by the Directors to be \$14.7 million as at 30 June 2021. Mediation has been ordered to be completed by 15 October 2021.



3. Income Statement

[See Attached Account Supporting Information]

	June 2020 \$000	June 2020 \$000
Revenues:		
Dividends Received	523	503
Interest Received	-	1
Proceeds - Trading Investments	31	-
Other	5	10
	<u>559</u>	<u>514</u>
Less Costs:		
Management Fee Payable	(143)	(118)
Cost of Trading Investments	(24)	-
Litigation Expenses	(196)	(134)
Other Expenses:	(225)	(214)
Profit (Loss) Before Tax:	(29)	48
Plus (Less) Income Tax Expense	-	-
Net Profit after Tax attributable to Members	<u>(29)</u>	<u>48</u>

4. Balance Sheet

[See Attached Account Supporting Information]

Shareholders Equity	16,236	10,275
Per Ordinary Share	\$ 0.537	\$ 0.453

5. Statement of Cash Flows

[See Attached Account Supporting Information]

6. Dividends Paid

Amount paid (\$000)	312	312
Date Paid	12 Oct 2020	11 Oct 2019
Per Share	1.375 cent	1.375 cent
Amount of Franking:	100%	100%

7. Dividend Reinvestment Plan

The company's Dividend Reinvestment Plan has been re-instituted and will operate this year.

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	53.7	45.3
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10. Retained Earnings

Balance at start of year	5,916	6,180
Profit (loss) after Tax for year	(29)	48
Less: Dividend Paid	(312)	(312)
Retained Earnings - year end	<u>5,575</u>	<u>5,916</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	
Percentage of ownership held by Imperial Pacific in London City:	39.01%	31.15%

13. Other Information:

Issued Capital - shares on Issue:

Ordinary Shares	30,234,799	22,676,099
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14. Commentary on Results



(a) General

1. London City's portfolio at year end moved ahead strongly over the year. Dividend income also increased very well.
2. Net Tangible Assets per share rose from 45.3 cents to 53.7, despite paying a fully franked dividend of 1.375 cents in October 2020 and raising Rights Issue funds at 40.0 Cents a share.
3. London City's litigation costs of \$196,000 have been expensed and impacted profit.

(b) Earnings Per Share:

Cents	(Note: No options exist)	(0.10)	0.21
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(c) Return to Shareholders

Profit after tax to Shareholders Equity at year end	-0.18%	0.47%
Profit after tax to Shareholders Equity at previous year end:	-0.28%	0.44%

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

23 August 2021

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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 2021

		2021	2020
	Notes	\$	\$
Revenue from ordinary activities	3	558,889	513,452
Other expenses from ordinary activities			
Management fees	4	(143,376)	(117,961)
Other Operating Expenses	4	(420,523)	(347,462)
		<u>(563,899)</u>	<u>(465,423)</u>
Cost of Trading Investments sold		(24,160)	-
Profit (Loss) from ordinary activities before tax		(29,170)	48,029
Income tax	5	-	-
Profit (Loss) for Year		<u>(29,170)</u>	<u>48,029</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	(0.11)	0.21
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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 2021

	<i>Notes</i>	2021 \$	2020 \$
Profit (Loss) for Year		(29,170)	48,029
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	3,297,026	(262,528)
Total Other Comprehensive Income (Expense)		<u>3,297,026</u>	<u>(262,528)</u>
Total Comprehensive Income (Expense) for the year		<u>3,267,856</u>	<u>(214,499)</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 2021

	Notes	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	6	1,351,999	1,221
Trade and other receivables	7	74,484	62,544
Total current assets		1,426,483	63,765
Non-current assets			
Investment Portfolio	8	15,422,742	11,153,289
Deferred Tax Assets	9	2,760,000	2,160,000
Total non-current assets		18,182,742	13,313,289
Total assets		19,609,225	13,377,054
Current liabilities			
Trade and other payables	10	206,659	1,087,989
Total current liabilities		206,659	1,087,989
Non-current liabilities			
Deferred Tax Liability - Investment Portfolio	11	3,167,000	2,014,000
Total liabilities		3,373,659	3,101,989
Net assets		16,235,566	10,275,065
Equity			
Share Capital	12	7,511,916	4,507,475
Realised Capital Gains Reserve	14 (a)	(6,732,895)	(6,739,135)
Unrealised Revaluation Reserve	14 (b)	9,880,892	6,590,106
Retained Profits	14 (c)	5,575,653	5,916,619
Total equity		16,235,566	10,275,065

The accompanying notes form part of these financial statements.

London City Equities Limited

ABN 59 003 200 664



Statement of Changes in Equity for the Year Ended 30 June 2021

	Notes	2021 \$	2020 \$
Total Equity at the beginning of the year		10,275,065	10,801,361
Transactions with Equity holders in their capacity as equity holders:			
Contributions/(Decrease) in Equity, net of transaction costs:	12	3,004,441	-
Dividends paid:	15	(311,796)	(311,797)
Total transactions with Equity holders in their capacity as equity holders:		2,692,645	(311,797)
Income and Expense for Year:			
Profit (Loss) for Year:		(29,170)	48,029
Other Comprehensive Income (Expense) Items:			
Net Unrealised Gain (Loss) for the period for stocks held on 30 June	14	3,290,786	(262,528)
Net Realised Gain (Loss) for the period for stocks held on 30 June	14	6,240	-
Total other comprehensive income (including realised and unrealised gains and losses) for the year		3,297,026	(262,528)
Total Equity at the end of the year		16,235,566	10,275,065

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 2021

		2021	2020
	Notes	\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(521,080)	(416,961)
Dividends Received		522,889	503,450
Interest Received		10	3
Other Income		11,241	10,000
Net cash inflow (outflow) from operating activities	25	13,060	96,492
Cash flows from investing activities			
Payments for investments		(440,902)	(278,962)
Proceeds from sale of investment		22,065	-
Net cash inflow (outflow) from investing activities		(418,837)	(278,962)
Cash flows from financing activities			
Increase in Issued Capital Related Corporations		3,004,441	-
Dividends paid		(936,089)	479,921
		(311,797)	(311,796)
Net cash inflow (outflow) from financing activities		1,756,555	168,125
Net increase (decrease) in cash held		1,350,778	(14,345)
Cash at beginning of the financial year		1,221	15,566
Cash at end of the financial year	6	1,351,999	1,221

The accompanying notes form part of these financial statements.



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 2021. 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 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.

London City Equities Limited

Notes to the financial statements - 30 June 2021

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

A lessee is required to recognise, 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-use asset. The unwind of the financial charge on the lease liability includes depreciation and an interest borrowing rate expense. The Company 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.

(k) Financial Statements Approval

The financial statements were authorised for issue by the Board of Directors on 18 August 2021.



Note 2. Segmental information

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

	Equity Investment	Other	Total
2021			
Revenue	\$	\$	\$
Investment /other revenue	553,879	5,010	558,889
Segment result			
Profit (loss) after tax	149,911	(179,081)	(29,170)
Segment assets	19,474,063	135,162	19,609,225
Segment liabilities	(3,270,330)	(103,330)	(3,373,660)
Net cash inflow from operating activities	372,806	(359,746)	13,060
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

Note 3. Revenue

	2021	2020
From continuing operations	\$	\$
Interest - Other Corporations	10	3
Dividends	522,889	503,449
Other Income	5,000	10,000
Sales - Trading investments	30,990	-
Total Operating Revenue	558,889	513,452

Note 4. Profit from ordinary activities

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

Expenses

Auditors Fees (Note 18)	19,000	17,500
Directors fees (Note 17)	90,000	90,000
Superannuation - Directors (Note 17)	8,550	8,550
Licence fee payable regarding premises	26,294	25,203
Management fees - associated company		
- Basic management fee	143,376	117,961
- Performance Fee	-	-
- Basic management fee (GST lost)	3,584	2,500
Legal and associated Litigation Costs	195,719	133,831
Other Operating Expenses	77,376	69,878
Total Operating Expenses	563,899	465,423

Cost of Trading Investments sold	(24,160)	-
Operating Profit before Tax	(29,170)	48,029

(b) Individually significant items included above

Management fees - associated company	143,376	117,961
Litigation Expenses re Ernst & Young	195,719	133,831

London City Equities Limited

Notes to the financial statements - 30 June 2021 (Cont'd)



Note 5. Income Tax Expense

(a) The components of income tax credit (expense) comprise:

	2021	2020
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	(29,170)	48,029
Income tax calculated at 30%	8,751	(14,409)
Less: Tax Effect of :		
- Recoupment of prior year losses	-	-
- Net Dividend Franking Credit re dividends	(8,751)	14,409
- 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

- -

(ii) capital gains tax on realised loss in the Investment Portfolio

- -

Net Movement

- -

(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	-	1,900,000
Capital Losses	633,000	90,000
	<u>633,000</u>	<u>1,990,000</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).

Note 6. Current assets - Cash and cash equivalents

Cash at Bank and on Hand	1,351,999	1,221
	<u>1,351,999</u>	<u>1,221</u>

The above figures are the final balances of the statement of cash flows.

Note 7. Current assets - Trade and other receivables

Other debtors	74,484	62,544
Amounts due from Associated Company	-	-
	<u>74,484</u>	<u>62,544</u>

London City Equities Limited

Notes to the financial statements - 30 June 2021



Note 8. Non current assets - Investment Portfolio

Listed investments

Listed securities of corporations at market value

2021	2020
15,298,814	11,027,812

Unlisted investments

Unlisted securities of corporations at market value

123,928	125,477
<u>15,422,742</u>	<u>11,153,289</u>

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

2,700,000 2,100,000

Revenue Losses

60,000 60,000

2,760,000 2,160,000

Note 10. Current liabilities - Trade and Other Payables

Unsecured liabilities

Sundry Creditors

203,113 148,353

Amounts payable to associated company

3,546 939,636

206,659 1,087,989

Note 11. Non-current liabilities - Deferred Tax Liability

Deferred Tax Liabilities on Unrealised Gains in the Investment Portfolio

3,167,000 2,014,000

3,167,000 2,014,000

Note 12. Share Capital

(a) Issued capital

30,234,799 (2020: 22,676,099) fully paid ordinary shares

7,511,916 4,507,475

(b) Movement in ordinary share capital:

Balance at beginning of accounting period

4,507,475 4,507,475

Movements during year:

3,004,441 -

Balance at reporting date

7,511,916 4,507,475

(c) Movement in ordinary share numbers:

Balance at beginning of accounting period

Number
22,676,099 22,676,099

Movements 2020 - 2021:

7,558,700 -

Balance at reporting date

30,234,799 22,676,099

(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.

The company is presently examining equity rights issue scenarios to raise capital.



Note 14. Reserves and retained profits

	2021	2020
(a) Realised Capital Gains Reserve	\$	\$
Balance - beginning of year	(6,739,135)	(6,739,135)
Gain (Loss) realised during year	6,240	-
Balance - year end	<u>(6,732,895)</u>	<u>(6,739,135)</u>
(b) Unrealised Revaluation Reserve		
Balance - beginning of year	6,590,106	6,852,634
Reverse Unrealised - Prior Year	(6,714,106)	(7,088,634)
Reverse Applicable Tax - Prior Year	2,014,000	2,126,000
Increase in Unrealised Gains	10,557,892	6,714,106
Provision for Tax on Unrealised Gains	(3,167,000)	(2,014,000)
Less: Unrequired Provision due to past tax losses	600,000	-
Balance - year end	<u>9,880,892</u>	<u>6,590,106</u>
(c) Retained Profits		
Retained Profits at the start of the financial year	5,916,619	6,180,387
Net profit (loss) for the year	(29,170)	48,029
Dividends paid	(311,796)	(311,797)
Retained Profits at the end of the financial year	<u>5,575,653</u>	<u>5,916,619</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	12 Oct 2020	(311,796)	(311,797)
Total Dividends Paid		<u>(311,796)</u>	<u>(311,797)</u>
Proposed fully franked dividends			
- 1.375 Cents per share (Ordinary Div.)	14 Oct 2021	415,728	(311,797)

Note: The dividend recommended for October 2021 has not been accrued in the above accounts. A Dividend Reinvestment Plan will be in place at that time.

(b) Franking credits

Franking credit tax component available for dividends in future years	601,000	533,000
Fully franked dividends possible at tax rate of 30%	<u>1,402,333</u>	<u>1,243,667</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).

2021 Allocation	Level 1	Level 2	Level 3	Total
Financial assets	\$	\$	\$	\$
Cash & cash equivalents	1,351,999			1,351,999
Receivables		74,484		74,484
Portfolio Investments	15,422,742			15,422,742
Financial liabilities				
Other creditors	(206,659)			(206,659)
2020 Allocation	Level 1	Level 2	Level 3	Total
Financial assets	\$	\$	\$	\$
Cash & cash equivalents	1,221			1,221
Receivables		62,016		62,016
Portfolio Investments	11,153,289			11,153,289
Financial liabilities				
Other creditors	(1,087,989)			(1,087,989)

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.



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.

	---- 2021 ----		---- 2020 ----	
	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)	(15,423)	15,423	(11,153)	11,153
Impact on Equity (Pre tax)	1,542,274	(1,542,274)	1,115,329	(1,115,329)

(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.

	---- 2021 ----		---- 2020 ----	
	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)	13,520	(13,520)	12	(12)

(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.

	2021	2020
Cash at bank and short-term bank deposits:		
AA -	1,351,999	1,221

(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.

London City Equities Limited

Notes to the financial statements - 30 June 2021



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:	2021	2020
Immediate	1,351,999	1,221
To 30 Days	74,484	62,544
30 - 365 days	-	-
Longer Term	15,422,742	11,153,289

(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:	2021	2020
To 30 Days	206,659	148,354
90 - 120 days	-	939,635
Longer Term	3,167,000	2,014,000

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 2021 was \$143,376 (2020 - \$117,961)

(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 DG Butel	- Director - Non-Executive
Mr NE Schafer	- Director - Non-Executive

(b) Directors' Remuneration:

2021	Primary 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
	90,000	8,550	-	-	98,550

2020	Primary 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
	90,000	8,550	-	-	98,550

(c) Shareholdings

Number of Shares held by Directors and Specified Executives

	Balance 01-Jul-20	Received as Remuneration	Options Exercised	Net change *	Balance 30-Jun-21
Mr P E J Murray	7,949,844	-	-	5,083,337	13,033,181
Mr D G Butel	7,153,739	-	-	4,762,966	11,916,705
Mr N E Schafer	7,063,039	-	-	4,857,732	11,920,771

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

Note: Each holding includes 11,795,771 shares (2020 - 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 that continues until replaced. Fees are 1% of the portfolio value, 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 2021 was \$143,376 (\$117,961 in 2020).
4. Interests of Mr Murray were paid \$138,960 by Imperial Pacific Limited during 2021.
5. The company has a Remuneration Committee in operation.

Note 18. Auditor's remuneration

	2021	2020
Remuneration for audit review of the financial reports of the parent entity or any entity in the consolidated entity.	\$	\$
Cutcher & Neale - Assurance services	16,500	15,000
	<u>16,500</u>	<u>15,000</u>
Remuneration for other services		
Cutcher & Neale - Other compliance services	2,500	2,500
	<u>2,500</u>	<u>2,500</u>
	<u>19,000</u>	<u>17,500</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 by investing in Penrice. During 2020 London City and other plaintiffs began legal proceedings in the Supreme Court of NSW by lodging a Statement of Claim against Ernst & Young, the former auditor of Penrice, seeking appropriate recompense. The Court judgment of 1 August 2019 held 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 due to EY's conduct as auditors. A further Statement of Claim was served on 23 April 2020. Proceedings have continued. Discovery has been ordered and mediation to be completed by 15 October 2021. The damages assessed by an Expert Forensic Accountant last year have been updated to \$13,850,000 as at 31 December 2020 in the light of accruing further Court rates of interest. Directors estimate that the damages on this basis at 30 June 2021 are approximately \$14,155,000. At this date there is insufficient information to estimate the extent of future benefits 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. There are also 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

	2021	2020
(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	11,099	26,638
Between 1 & 2 years	-	11,099
Later than 2 years but not later than 5 years		
	11,099	37,737

These arrangements represent a premises use licence.

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.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. Each director took up his 2020 Rights Issue entitlement fully and supported the raising of the Issue funds sought., Associated company, Imperial Pacific Limited underwrote the \$3 million Rights Issue for no fee or remuneration.

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.:

	2021	2020
Management fee payable:		
Associated Entity - Imperial Pacific Limited Group	143,376	117,961
Amounts payable at balance date to Imperial Pacific Limited Group	(3,546)	939,636

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 Ernst & Young, the former auditors of Penrice Soda (now in liquidation). These proceedings are active and the Court has ordered the parties to complete discovery and mediation by 15 October 2021. The investment portfolio values have improved by approximately \$2.6 million after potential tax.

An Ordinary Dividend of 1.375 Cents per share has been proposed for payment in October 2021. This has not been provided for in the financial statements.

London City Equities Limited

Notes to the financial statements - 30 June 2021



Note 25. Cash Flow Information

	2021	2020
Reconciliation of operating profit after income tax to net cash inflow from operating activities:		
Operating Profit (Loss) after Income Tax	(29,170)	48,029
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Other Debtors, prepayments	(17,465)	27,481
Increase (Decrease) in Other Creditors	59,695	20,982
Net Cash inflow from Operating Activities	<u>13,060</u>	<u>96,492</u>
Cash Balances at year end:		
Money at Bank and on Hand	1,351,999	1,221
	<u>1,351,999</u>	<u>1,221</u>

Note 26. Earnings per share

	Cents	Cents
Basic and Diluted earnings per share (Note: No dilution as no options in existence).	(0.11)	0.21
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	26,455,445	22,676,099



LOGO: The emblem of London City Equities Limited represents the London Plane Tree. This plant, initially recorded in 1670, has become a long term survivor of the English seasons and population growth. Its resilience comes from its hardwood strength and its ability to shed bark, thereby renewing and protecting itself from risk of disease. Its shiny leaves are easily washed and reinvigorated by the rain. There are many examples still growing vigorously in London Squares that are estimated to be over 200 years old.