

19 August 2022

Appendix 4E - Preliminary Final Results announcement to the market

1. Period Covered:

Year ended 30 June 2022

2. Key Information

June 2022

June 2021

\$000

\$000

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

- Gains in Investments / related	1,275	3,291
- Income Account during year	1,812	167
- New Capital	214	3,004
	<u>3,301</u>	<u>6,462</u>
Increase on Net Worth previous year	20%	

Revenue from Ordinary Activities	2,413	559
<i>Increase on previous year</i>	332%	
Profit from Ordinary Activities after tax	212	167
<i>Increase on previous year</i>	27%	
Profit from all Activities after tax	1,812	(29)
<i>Change on previous year</i>	NA	
Net Tangible Assets	19,121	16,236
Per Share (Cents)	62.4	53.7
<i>Increase on previous year</i>	16%	
Amount of Dividend Proposed:	1.400 cents	1.375 cents
Amount of Franking expected:	100%	100%
Record Date for dividend entitlements	4 Oct 2022	15 Oct 2021
Payment Date for dividend	14 Oct 2022	22 Oct 2021
Dividend Reinvestment Plan	Operating	Operating
Annual General Meeting Date:	26 Oct 2022	27 Oct 2021

Brief Explanation and background to the above results:

1. London City reports a very satisfactory year in which the value of portfolio holdings improved markedly and settlement of the Ernst & Young litigation took place. It was a volatile time for stock-markets and the company's key shareholdings fluctuated accordingly. A steady dividend of 1.375 Cents was paid during the year and a higher one declared at 1.40 Cents for this year.

2. London City's 6.6% shareholding in the well managed Fiducian Group Limited rose in value during the year and this was accompanied by increased dividends from Fiducian. London City and associates have recently moved to a 10.7% ownership of Excelsior Capital Limited. The direct shareholding of London City in Excelsior now stands at 5.8%, While Excelsior's investment activities continue to be very poor its CMI electrical division has performed very well.

3. Since year end London City's portfolio value has risen marginally. Some modest share purchases have been undertaken in the current market conditions,



3. Income Statement

[See Attached Account Supporting Information]

Revenues:

	June 2022 \$000	June 2021 \$000
Dividends Received	659	523
Interest Received	-	-
Proceeds - Trading Investments	40	31
Confidential Settlement - Net	1,706	
Other	8	5
	<u>2,413</u>	<u>559</u>

Less Costs:

Management Fee Payable	(208)	(143)
Cost of Trading Investments	(38)	(24)
Litigation Expenses	(106)	(196)
Other Expenses:	(249)	(225)
	<u>(601)</u>	<u>(588)</u>

Profit (Loss) Before Tax:

Plus (Less) Income Tax Expense	-	-
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Net Profit after Tax attributable to Members

	<u>1,812</u>	<u>(29)</u>
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4. Balance Sheet

[See Attached Account Supporting Information]

Shareholders Equity	19,121	16,236
Per Ordinary Share	\$ 0.624	\$ 0.537

5. Statement of Cash Flows

[See Attached Account Supporting Information]

6. Dividends Paid

Amount paid (\$000)	416	312
Date Paid	14 Oct 2021	12 Oct 2020
Per Share	1.375 cent	1.375 cent
Amount of Franking:	100%	100%

7. Dividend Reinvestment Plan

The company's Dividend Reinvestment Plan will operate again 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	62.4	53.7
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10. Retained Earnings

Balance at start of year	5,575	5,916
Profit (loss) after Tax for year	1,812	(29)
Less: Dividend Paid	(416)	(312)
Retained Earnings - year end	<u>6,971</u>	<u>5,575</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	Imperial Pacific
Percentage of ownership held by Imperial Pacific in	Limited	Limited
London City:	39.58%	39.01%

13. Other Information:

Issued Capital - shares on Issue:

Ordinary Shares	30,651,093	30,234,799
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14. Commentary on Results



(a) General

1. London City's investment portfolio moved ahead quite strongly over the year, enhanced by (a) good results from both key investments in Fiducian Group and Excelsior Capital, (b) the confidential settlement of long running litigation against EY and (c) increased dividend payout from Fiducian. Excelsior's share price grew as well due to a very good electrical division performance. However, dividend payout remains poor.
2. Net Tangible Assets per share rose 16% from 53.7 Cents to 62.4 Cents, despite paying a fully franked dividend of 1.375 cents in October 2021.
3. London City's litigation against Ernst & Young ceased in December, following a confidential settlement. This will eliminate costly legal expenses and free up management for more positive purposes.

(b) Earnings Per Share:

Cents	(Note: No options exist)	5.94	(0.11)
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(c) Return to Shareholders

Profit after tax to Shareholders Equity at year end	9.48%	-0.18%
Profit after tax to Shareholders Equity at previous year end:	11.16%	-0.28%

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

19 August 2022



Attachment

Notes and Supporting Information relating to Appendix 4E

(Preliminary Final Results for announcement to the market.)

London City Equities Limited

ABN 59 003 200 664



Income Statement for the year ended 30 June 2022

		2022	2021
	Notes	\$	\$
Revenue from ordinary activities	3	2,413,077	558,889
Other expenses from ordinary activities			
Management fees	4	(208,363)	(143,376)
Other Operating Expenses	4	(354,171)	(420,523)
		<u>(562,534)</u>	<u>(563,899)</u>
Cost of Trading Investments sold		(38,492)	(24,160)
Profit (Loss) from ordinary activities before tax		1,812,051	(29,170)
Income tax	5	-	-
Profit (Loss) for Year		<u>1,812,051</u>	<u>(29,170)</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	5.94	(0.11)
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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 2022

	Notes	2022 \$	2022 \$
Profit (Loss) for Year	4	1,812,051	(29,170)
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	1,275,931	3,297,026
Total Other Comprehensive Income (Expense)		1,275,931	3,297,026
Total Comprehensive Income (Expense) for the year		3,087,982	3,267,856

The accompanying notes form part of these financial statements.

London City Equities Limited

ABN 59 003 200 664



Balance Sheet as at 30 June 2022

	Notes	2022 \$	2021 \$
Current assets			
Cash and cash equivalents	6	1,551,842	1,351,999
Trade and other receivables	7	63,434	74,484
Total current assets		1,615,276	1,426,483
Non-current assets			
Investment Portfolio	8	18,395,699	15,422,742
Deferred Tax Assets	9	2,960,000	2,760,000
Total non-current assets		21,355,699	18,182,742
Total assets		22,970,975	19,609,225
Current liabilities			
Trade and other payables	10	220,587	206,659
Total current liabilities		220,587	206,659
Non-current liabilities			
Deferred Tax Liability - Investment Portfolio	11	3,629,000	3,167,000
		3,629,000	3,167,000
Total liabilities		3,849,587	3,373,659
Net assets		19,121,388	16,235,566
Equity			
Share Capital	12	7,725,485	7,511,916
Realised Capital Gains Reserve	14 (a)	(6,732,895)	(6,732,895)
Unrealised Revaluation Reserve	14 (b)	11,156,823	9,880,892
Retained Profits	14 (c)	6,971,975	5,575,653
Total equity		19,121,388	16,235,566

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 2022

	Notes	2022 \$	2021 \$
Total Equity at the beginning of the year		16,235,566	10,275,065
Transactions with Equity holders in their capacity as equity holders:			
Contributions/(Decrease) in Equity, net of transaction costs:	12	213,569	3,004,441
Dividends paid:	15	(415,729)	(311,796)
Total transactions with Equity holders in their capacity as equity holders:		(202,160)	2,692,645
Income and Expense for Year:			
Profit (Loss) for Year:		1,812,051	(29,170)
Other Comprehensive Income (Expense) Items:			
Net Unrealised Gain (Loss) for the period for stocks held on 30 June	14	1,275,931	3,290,786
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		1,275,931	3,297,026
Total Equity at the end of the year		19,121,388	16,235,566

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 2022

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(488,291)	(521,080)
Dividends Received		659,052	522,889
Interest Received		-	10
Other Income		1,754,025	11,241
Net cash inflow (outflow) from operating activities	25	1,924,786	13,060
Cash flows from investing activities			
Payments for investments		(1,473,518)	(440,902)
Proceeds from sale of investment		-	22,065
Net cash inflow (outflow) from investing activities		(1,473,518)	(418,837)
Cash flows from financing activities			
Increase in Issued Capital		213,569	3,004,441
Related Corporations		(49,264)	(936,089)
Dividends paid		(415,730)	(311,797)
Net cash inflow (outflow) from financing activities		(251,425)	1,756,555
Net increase (decrease) in cash held		199,843	1,350,778
Cash at beginning of the financial year		1,351,999	1,221
Cash at end of the financial year	6	1,551,842	1,351,999

The accompanying notes form part of these financial statements.

London City Equities Limited

Notes to the financial statements - 30 June 2022



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 2022. 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 component 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 2022

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 unwinding 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 17 August 2022.

London City Equities Limited

Notes to the financial statements - 30 June 2022



Note 2. Segmental information

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

	Equity Investment	Other	Total
2022			
Revenue	\$	\$	\$
Investment /other revenue	2,413,077	-	2,413,077
Segment result			
Profit (loss) after tax	2,032,637	(220,586)	1,812,051
Segment assets	22,846,935	124,040	22,970,975
Segment liabilities	(3,739,293)	(110,294)	(3,849,587)
Net cash inflow from operating activities	2,259,090	(334,304)	1,924,786
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

Note 3. Revenue

	2022	2021
From continuing operations	\$	\$
Interest - Other Corporations	-	10
Dividends	659,052	522,889
Other Income	7,500	5,000
Confidential Sum - Net	1,706,285	
Sales - Trading investments	40,240	30,990
Total Operating Revenue	2,413,077	558,889

Note 4. Profit from ordinary activities

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

Expenses

Auditors Fees (Note 18)	17,700	19,000
Directors fees (Note 17)	90,000	90,000
Superannuation - Directors (Note 17)	12,000	8,550
Licence fee payable regarding premises	26,485	26,294
Management fees - associated company		
- Basic management fee	208,363	143,376
- Performance Fee	-	-
- Basic management fee (GST lost)	5,209	3,584
Legal and associated Litigation Costs	106,367	195,719
Other Operating Expenses	96,410	77,376
Total Operating Expenses	562,534	563,899

Cost of Trading Investments sold	(38,492)	(24,160)
Operating Profit before Tax	1,812,051	(29,170)

Individually significant items included above

Income -Confidential Sum - Net	1,706,285	-
Costs - Management fees - associated company	208,363	143,376
Costs - Litigation Expenses	106,367	195,719

London City Equities Limited

Notes to the financial statements - 30 June 2022 (Cont'd)



Note 5. Income Tax Expense

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

Current Tax
Deferred Tax

2022 2021

-	-
-	-
-	-

(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

1,812,051 (29,170)

Income tax calculated at 30%

(543,615) 8,751

Less: Tax Effect of :

- Recoupment of prior year losses
- Net Dividend Franking Credit re dividends
- Future income tax benefits arising in prior years not previously brought to account

-	-
543,615	(8,751)
-	-

Income tax benefit (expense)

- -

(c) Amounts recognised directly in equity:

Increase (Decrease) in deferred tax asset relating to

(i) capital gains tax on the increase in unrealised losses in the Investment Portfolio

200,000 -

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

- -

Net Movement

200,000 -

(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 approximately \$300,000 in 2022 (2021 - \$1,000,000). Estimated tax losses are

Revenue Losses	3,100,000	2,700,000
Capital Losses	7,100,000	7,100,000
	10,200,000	9,800,000

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

- Assessable income is derived of a nature and of amount sufficient to enable the benefit of the deductions to be realised;
- Conditions for deductibility imposed by the law complied with; and
- 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

1,551,842 1,351,999

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

Note 7. Current assets - Trade and other receivables

Other debtors

19,010 74,484

Amounts due from Associated Company

44,424	-
63,434	74,484

London City Equities Limited

Notes to the financial statements - 30 June 2022



Note 8. Non current assets - Investment Portfolio

Listed investments

Listed securities of corporations at market value

2022	2021
18,286,333	15,298,814

Unlisted investments

Unlisted securities of corporations at market value

109,366	123,928
18,395,699	15,422,742

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

Revenue Losses

2,900,000	2,700,000
60,000	60,000
2,960,000	2,760,000

Note 10. Current liabilities - Trade and Other Payables

Unsecured liabilities

Sundry Creditors

Amounts payable to associated company

219,730	203,113
857	3,546
220,587	206,659

Note 11. Non-current liabilities - Deferred Tax Liability

Deferred Tax Liabilities on Unrealised Gains in the
Investment Portfolio

3,629,000	3,167,000
3,629,000	3,167,000

Note 12. Share Capital

(a) Issued capital

30,651,093 (2021: 30,234,799) fully
paid ordinary shares

7,725,485	7,511,916
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(b) Movement in ordinary share capital:

Balance at beginning of accounting period

Movements during year:

Balance at reporting date

7,511,916	4,507,475
213,569	3,004,441
7,725,485	7,511,916

(c) Movement in ordinary share numbers:

Balance at beginning of accounting period

Movements 2021 - 2022:

Balance at reporting date

Number	Number
30,234,799	22,676,099
416,294	7,558,700
30,651,093	30,234,799

(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 with net asset enhancement, 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 taking account of franked credits available. The company is presently examining equity rights issue scenarios to raise capital.

London City Equities Limited

Notes to the financial statements - 30 June 2022



Note 14. Reserves and retained profits

(a) Realised Capital Gains Reserve

	2022	2021
	\$	\$
Balance - beginning of year	(6,732,895)	(6,739,135)
Gain (Loss) realised during year		6,240
Balance - year end	(6,732,895)	(6,732,895)

(b) Unrealised Revaluation Reserve

Balance - beginning of year	9,880,892	6,590,106
Reverse Unrealised - Prior Year	(10,557,892)	(6,714,106)
Reverse Applicable Tax - Prior Year	3,167,000	2,014,000
Increase in Unrealised Gains	12,095,823	10,557,892
Provision for Tax on Unrealised Gains	(3,629,000)	(3,167,000)
Less: Unrequired Provision due to past tax losses	200,000	600,000
Balance - year end	11,156,823	9,880,892

(c) Retained Profits

Retained Profits at the start of the financial year	5,575,653	5,916,619
Net profit (loss) for the year	1,812,051	(29,170)
Dividends paid	(415,729)	(311,796)
Retained Profits at the end of the financial year	6,971,975	5,575,653

(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 2021	(415,729)	(311,796)
Total Dividends Paid		(415,729)	(311,796)
Proposed fully franked dividends			
- 1.40 Cents per share (Ordinary Div.)	14 Oct 2022	(429,115)	(415,729)

Note: The dividend recommended for October 2022 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	600,000	601,000
Fully franked dividends possible at tax rate of 30%	1,400,000	1,402,333

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.

London City Equities Limited

Notes to the financial statements - 30 June 2022



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).

2022 Allocation	Level 1	Level 2	Level 3	Total
Financial assets	\$	\$	\$	\$
Cash & cash equivalents	1,551,842			1,551,842
Receivables		63,434		63,434
Portfolio Investments	18,395,699			18,395,699
Financial liabilities				
Other creditors	(220,587)			(220,587)
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)

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.

	---- 2022 ----		---- 2021 ----	
	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)	(18,396)	18,396	(15,423)	15,423
Impact on Equity (Pre tax)	1,839,699	(1,839,699)	1,542,274	(1,542,274)

(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 short term equivalents. 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.

	---- 2022 ----		---- 2021 ----	
	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)	15,363	(15,363)	13,520	(13,520)

(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.

	2022	2021
Cash at bank and short-term bank deposits:		
AA -	1,551,842	1,351,999

(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.

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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:	2022	2021
Immediate	1,551,842	1,351,999
To 30 Days	63,434	74,484
30 - 365 days	-	-
Longer Term	18,395,699	15,422,742

(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:	2022	2021
To 30 Days	220,587	206,659
90 - 120 days	-	-
Longer Term	3,629,000	3,167,000

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 2022 was \$208,363 (2021 - \$143,376)

(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 D G Butel	- Director - Non-Executive
Mr N E Schafer	- Director - Non-Executive

(b) Directors' Remuneration:

2022	Salary, Fees Commissions	Primary Super Contributions	Post Employment	Other (Equity Options Etc)	Total \$
Mr P E J Murray	30,000	3,000	-	-	33,000
Mr D G Butel	30,000	3,000	-	-	33,000
Mr N E Schafer	30,000	3,000	-	-	33,000
	90,000	9,000	-	-	99,000

2021	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

London City Equities Limited

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

(c) Shareholdings

Number of Shares held by Directors and Specified Executives

	Balance 01-Jul-21	Received as Remuneration	Options Exercised	Net change *	Balance 30-Jun-22
Mr P E J Murray	13,033,181	-	-	368,260	13,401,441
Mr D G Butel	11,916,705	-	-	335,097	12,251,802
Mr N E Schafer	11,920,771	-	-	338,477	12,259,248

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

Note: Each holding includes 12.130,868 shares (2021 - 11,795,771 shares) held by Imperial Pacific Ltd.

(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 2022 was \$208,363 (\$143,376 in 2021).
4. Interests of Mr Murray were paid \$91,680 by Imperial Pacific Limited during 2022.
5. The company has a Remuneration Committee in operation.

Note 18. Auditor's remuneration

Remuneration for audit review of the financial reports of the parent entity or any entity in the consolidated entity.

	2022	2021
	\$	\$
Cutcher & Neale - Assurance services	15,200	16,500
	<u>15,200</u>	<u>16,500</u>
Remuneration for other services		
Cutcher & Neale - Other compliance services	2,500	2,500
	<u>2,500</u>	<u>2,500</u>
	<u>17,700</u>	<u>19,000</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. Contingent liabilities

Directors report that there are 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.

London City Equities Limited

Notes to the financial statements - 30 June 2022



Note 20. Capital and Leasing commitments

	2022	2021
(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	23,716	11,099
Between 1 & 2 years	24,665	-
Later than 2 years but not later than 5 years	23,436	
	<u>71,817</u>	<u>11,099</u>

These arrangements represent a premises use licence.

Note 21. 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.

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:	2022	2021
Associated Entity - Imperial Pacific Limited Group	(208,363)	(143,376)
Amounts payable at balance date (to) by Imperial Pacific Limited Group	43,507	(3,546)

Note 22. Economic dependency

The main trading activity of the company during the year was investment in equities and cash deposits. From time to time a significant strategic investment may be made which could influence its economic dependency. London City Equities owns 6.6% of the equity capital of Fiducian Group Limited, a financial services company and 5.8% of Excelsior Capital Limited, predominantly an electrical materials supplier to industry. Accordingly, London City has some dependency on the financial services and electrical product supply sectors. With funds on deposit the company's revenue has some dependence on interest rate levels.

Note 23. Events occurring after balance date

The investment portfolio values have not changed materially since balance date, Minor investment purchases have been made.

An Ordinary Dividend of 1.375 Cents per share has been proposed for payment in October 2022. This has not been provided for in the financial statements.

London City Equities Limited

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Note 24. Cash Flow Information

	2022	2021
	\$	\$
Reconciliation of operating profit after income tax to net cash inflow from operating activities:		
Operating Profit (Loss) after Income Tax	1,812,051	(29,170)
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Other Debtors, prepayments	81,119	(17,465)
Increase (Decrease) in Other Creditors	(6,877)	59,695
Net Cash inflow from Operating Activities	1,886,293	13,060
Cash Balances at year end:		
Money at Bank and on Hand	1,551,842	1,351,999
	1,551,842	1,351,999

Note 25. Earnings per share

	Cents	Cents
Basic and Diluted earnings per share	5.94	(0.11)
(Note: No dilution as no options in existence).		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	30,512,328	30,234,799