

24 August 2017

Appendix 4E - Preliminary Final Results announcement to the market

1. Period Covered:

Year ended 30 June 2017

2. Key Information

June 2017

June 2016

Group's Net Worth Gain over the year - before shareholder payout and new capital

- Gains in Investments	2,883	1,920
- Income Account during year	35	42
	<u>2,918</u>	<u>1,962</u>
Change on Net Worth previous year	47%	

	\$000	\$000
Revenue from Ordinary Activities	322	597
Change on previous year	-46%	
Profit (Loss) from Ordinary Activities after tax	35	42
Change on previous year	-17%	
Profit (Loss) from all Activities after tax	35	42
Change on previous year	-17%	
Net Tangible Assets	9,112	6,197
Per Share (Cents)	40.2	28.7
Change on previous year	40%	
Amount of Dividend Proposed:	1.375 cents	1.25 cents
Amount of Franking expected:	100%	100%
Record Date for dividend entitlements	2 Oct 2017	3 Oct 2016
Payment Date for dividend	12 Oct 2017	13 Oct 2016
Dividend Reinvestment Plan	Suspended	Suspended
Annual General Meeting Date:	19 Oct 2017	27 Oct 2016

Brief Explanation and background to the above results:

1. London City reports a successful year in which realised gains, portfolio uplifts and profit increased net worth 47%. London City's 6.3% shareholding in Fiducian Group Limited was enhanced by the impressive business performance of that group.
2. Dividend Payout has been increased 10% to 1.375 cents a share, fully franked.
3. The portfolio has appreciated some \$600,000 since year end and liquidity remains comfortable with \$1 million on deposit.
4. London City continues to work closely with advisers in assessing the information given to investors regarding Penrice Soda (now in liquidation) in 2008 and 2009.



3. Income Statement

[See Attached Account Supporting Information]

	June 2017	June 2016
	\$000	\$000
Revenues:		
Dividends Received	273	184
Interest Received	33	30
Proceeds - Trading Investments	16	383
Other	-	-
	<u>322</u>	<u>597</u>
Less Costs:		
Management Fee Payable	(83)	(59)
Cost of Trading Investments	(12)	(368)
Other Expenses:	<u>(192)</u>	<u>(128)</u>
Profit (Loss) Before Tax:	35	42
Plus (Less) Income Tax Expense	-	-
Net Profit after Tax attributable to Members	<u>35</u>	<u>42</u>

4. Balance Sheet

[See Attached Account Supporting Information]

Shareholders Equity	9,112	6,197
Per Ordinary Share	\$ 0.402	\$ 0.287

5. Statement of Cash Flows

[See Attached Account Supporting Information]

6. Dividends Paid

Amount paid (\$000)	270	216
Date Paid	13 Oct 2016	15 Oct 2015
Per Share	1.25 cent	1.00 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. Retained Earnings

Balance at start of year	7,025	7,199
Profit (loss) after Tax for year	35	42
Less: Dividend Paid	<u>(270)</u>	<u>(216)</u>
Retained Earnings - year end	<u>6,790</u>	<u>7,025</u>

10. Net Asset Backing Per Share at Year end:

Cents	40.2	28.7
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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:	30.1%	30.1%

13. Other Information:

Issued Capital - shares on Issue:

Ordinary Shares	22,676,099	21,591,099
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14. Commentary on Results

(a) General

1. London City's portfolio has appreciated significantly during the year. In particular it benefited from the appreciation in value of its 6.3% shareholding in Fiducian Group.
2. Net Tangible Assets per share appreciated from 29 cents to 41 cents, after paying an

Plan raising in late 2016.

(b) Earnings Per Share:

Cents	(Note: No options exist)	0.16	0.19
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(c) Return to Shareholders

Profit after tax to Shareholders Equity at year end	0.38%	0.68%
Profit after tax to Shareholders Equity at previous year end:	0.56%	0.84%

(d) Segmental Disclosure

	Equity Investment	Other	Total
2017			
Revenue	\$000	\$000	\$000
Investment /other revenue	290	32	322
Segment Result - Profit after Tax	140	(105)	35
Segment Assets	9,448	1,264	10,712
Segment Liabilities	(1,549)	(51)	(1,600)
Net cash inflow from operating activities	142	(122)	20
2016			
Revenue	\$000	\$000	\$000
Investment /other revenue	567	29	596
Segment Result - Profit after Tax	106	(64)	42
Segment Assets	4,871	1,953	6,824
Segment Liabilities	(584)	(43)	(627)
Net cash inflow from operating activities	127	(43)	84

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

24 August 2017



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 2017

		2017	2016
		\$	\$
Revenue from ordinary activities	Notes 3	322,372	596,955
Other expenses from ordinary activities			
Management fees	4	(83,100)	(58,902)
Other Operating Expenses	4	(191,685)	(128,600)
		<u>(274,785)</u>	<u>(187,502)</u>
Cost of Trading Investments sold		(12,326)	(367,741)
Profit (Loss) from ordinary activities before tax		35,261	41,712
Income tax	5	-	-
Profit (Loss) for Year		<u>35,261</u>	<u>41,712</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	0.16	0.19
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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 2017

	<i>Notes</i>	2017 \$	2016 \$
Profit (Loss) for Year		35,261	41,712
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	2,883,449	1,920,012
Total Other Comprehensive Income (Expense)		2,883,449	1,920,012
Total Comprehensive Income (Expense) for the year		2,918,710	1,961,724

The accompanying notes form part of these financial statements.

London City Equities Limited

ABN 59 003 200 664



Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
Current assets			
Cash and cash equivalents	6	1,166,599	1,867,062
Trade and other receivables	7	37,480	26,279
Total current assets		1,204,079	1,893,341
Non-current assets			
Investment Portfolio	8	8,190,751	4,269,136
Deferred Tax Assets	9	1,317,000	662,000
Total non-current assets		9,507,751	4,931,136
Total assets		10,711,830	6,824,477
Current liabilities			
Trade and other payables	10	101,824	85,886
Total current liabilities		101,824	85,886
Non-current liabilities			
Deferred Tax Liability - Investment Portfolio	11	1,498,000	542,000
		1,498,000	542,000
Total liabilities		1,599,824	627,886
Net assets		9,112,006	6,196,591
Equity			
Share Capital	12	4,507,475	4,240,881
Realised Capital Gains Reserve	14 (a)	(6,726,795)	(6,726,795)
Unrealised Revaluation Reserve	14 (b)	4,541,000	1,657,551
Retained Profits	14 (c)	6,790,326	7,024,954
Total equity		9,112,006	6,196,591

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 2017

	Notes	2017 \$	2016 \$
Total Equity at the beginning of the year		6,196,591	4,450,778
Transactions with Equity holders in their capacity as equity holders:			
Contributions/(Decrease) in Equity, net of transaction costs:	12	266,594	-
Dividends paid:	15	(269,889)	(215,911)
Total transactions with Equity holders in their capacity as equity holders:		(3,295)	(215,911)
Income and Expense for Year:			
Profit (Loss) for Year:		35,261	41,712
Other Comprehensive Income (Expense) Items:			
Net Unrealised Gain (Loss) for the period for stocks held on 30 June	14	2,883,449	1,471,551
Net Realised Gain (Loss) for the period for stocks held on 30 June	14	-	448,461
Total other comprehensive income (including realised and unrealised gains and losses) for the year		2,883,449	1,920,012
Total Equity at the end of the year		9,112,006	6,196,591

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 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(284,762)	(145,571)
Dividends Received		271,177	183,695
Interest Received		32,801	29,819
Purchase of Trading Investments		(1,839)	(367,741)
Proceeds - Sale of Trading Investments		2,974	383,812
Net cash inflow (outflow) from operating activities	25	20,351	84,014
Cash flows from investing activities			
Payments for investments		(781,716)	(473,559)
Proceeds from sale of investment		38,885	1,502,332
Net cash inflow (outflow) from investing activities		(742,831)	1,028,773
Cash flows from financing activities			
Increase in Issued Capital		273,500	-
Related Corporations		18,406	-
Dividends paid		(269,889)	(215,911)
Net cash inflow (outflow) from financing activities		22,017	(215,911)
Net increase (decrease) in cash held		(700,463)	896,876
Cash at beginning of the financial year		1,867,062	970,186
Cash at end of the financial year	6	1,166,599	1,867,062

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 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 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 30 June 2017. 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.

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.

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 2017

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 or foreign currency fluctuations.

(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 delivery of the service.

(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) 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.

(j) Financial Statements Approval

The financial statements were authorised for issue by the Board of Directors on 17 August 2017.

London City Equities Limited

Notes to the financial statements - 30 June 2017



Note 2. Segmental information

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

	Equity Investment	Other	Total
2017	\$	\$	\$
Revenue			
Investment /other revenue	289,570	32,802	322,372
Segment result			
Profit (loss) after tax	139,852	(104,591)	35,261
Segment assets	9,447,751	1,264,079	10,711,830
Segment liabilities	(1,548,912)	(50,912)	(1,599,824)
Net cash inflow from operating activities	142,531	(122,180)	20,351
2016	\$	\$	\$
Revenue			
Investment /other revenue	567,508	29,447	596,955
Segment result			
Profit (loss) after tax	106,016	(64,304)	41,712
Segment assets	4,871,136	1,953,341	6,824,477
Segment liabilities	(584,943)	(42,943)	(627,886)
Net cash inflow from operating activities	126,981	(42,967)	84,014

Note 3. Revenue

	2017	2016
From continuing operations	\$	\$
Interest - Other Corporations	32,802	29,447
Dividends	273,907	183,695
Sales - Trading investments	15,663	383,813
Total Operating Revenue	322,372	596,955

Note 4. Profit from ordinary activities

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

Expenses

Auditors Fees (Note 18)	21,300	17,000
Directors fees (Note 17)	75,903	51,467
Superannuation - Directors (Note 17)	6,859	2,374
Rental expense relating to operating leases	19,615	18,324
Management fees - associated company		
- Basic management fee	83,100	58,902
- Performance Fee	-	-
- Basic management fee (GST lost)	2,077	1,472
Legal and associated Costs	20,223	2,812
Other Operating Expenses	45,709	35,151
Total Operating Expenses	274,786	187,502

Cost of Trading Investments sold	12,326	367,741
Operating Profit before Tax	35,260	41,712

(b) Individually significant items included above

Management fees - associated company	83,100	58,902
Current Year - Share Disposal gains (losses)	3,337	16,072

London City Equities Limited

Notes to the financial statements - 30 June 2017 (Cont'd)



Note 5. Income Tax Expense

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

Current Tax
Deferred Tax

2017 2016

-	-
-	-
-	-

(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

35,261 41,712

Income tax calculated at 30%

(10,578) (12,514)

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

- -
10,578 12,514

Income tax benefit (expense)

- -

(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

655,000 392,000

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

- -

Net Movement

655,000 392,000

(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 :

Revenue Losses

1,700,000 1,700,000

Capital Losses

6,800,000 6,800,000

8,500,000 8,500,000

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.

Note 6. Current assets - Cash and cash equivalents

Cash at Bank and on Hand

1,166,599 1,867,062

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

Note 7. Current assets - Trade and other receivables

Other debtors

37,480 26,279

37,480 26,279

London City Equities Limited

Notes to the financial statements - 30 June 2017



Note 8. Non current assets - Investment Portfolio

Listed investments

Listed securities of corporations at market value

Unlisted investments

Unlisted securities of corporations at market value

	2017	2016
Listed investments	7,920,160	4,098,084
Unlisted investments	270,591	171,052
	<u>8,190,751</u>	<u>4,269,136</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:

Un-realised Capital Losses

Revenue Losses

Un-realised Capital Losses	1,257,000	602,000
Revenue Losses	60,000	60,000
	<u>1,317,000</u>	<u>662,000</u>

Note 10. Current liabilities - Trade and Other Payables

Unsecured liabilities

Sundry Creditors

Amounts payable to associated company

Sundry Creditors	97,637	52,444
Amounts payable to associated company	4,187	33,442
	<u>101,824</u>	<u>85,886</u>

Note 11. Non-current liabilities - Deferred Tax Liability

Deferred Tax Liabilities on Unrealised Gains in the Investment Portfolio

Deferred Tax Liabilities on Unrealised Gains in the Investment Portfolio	1,498,000	542,000
	<u>1,498,000</u>	<u>542,000</u>

Note 12. Share Capital

(a) Issued capital

22,676,099 (2016: 21,591,099) fully paid ordinary shares

22,676,099 (2016: 21,591,099) fully paid ordinary shares	4,507,475	4,240,881
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(b) Movement in ordinary share capital:

Balance at beginning of accounting period

Movements during year:

Balance at reporting date

Balance at beginning of accounting period	4,240,881	4,240,881
Movements during year:	266,594	-
Balance at reporting date	<u>4,507,475</u>	<u>4,240,881</u>

(c) Movement in ordinary share numbers:

Balance at beginning of accounting period

Movements 2016 - 2017:

Balance at reporting date

	Number	Number
Balance at beginning of accounting period	21,591,099	21,591,099
Movements 2016 - 2017:	1,085,000	-
Balance at reporting date	<u>22,676,099</u>	<u>21,591,099</u>

(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 2017



Note 14. Reserves and retained profits

(a) Realised Capital Gains Reserve

	2017	2016
	\$	\$
Balance - beginning of year	(6,726,795)	(7,175,256)
Gain (Loss) realised during year	-	448,461
Provision for Tax Benefit	-	-
Balance - year end	(6,726,795)	(6,726,795)

(b) Unrealised Revaluation Reserve

Balance - beginning of year	1,657,551	186,000
Reverse Unrealised - Prior Year	(1,807,551)	(266,000)
Reverse Applicable Tax - Prior Year	542,000	80,000
Increase in Unrealised Gains	4,992,000	1,807,551
Provision for Tax on Unrealised Gains	(1,498,000)	(542,000)
Less: Unrequired Provision due to past tax losses	655,000	392,000
Balance - year end	4,541,000	1,657,551

(c) Retained Profits

Retained Profits at the start of the financial year	7,024,954	7,199,153
Net profit (loss) for the year	35,261	41,712
Dividends paid	(269,889)	(215,911)
Retained Profits at the end of the financial year	6,790,326	7,024,954

(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 only available for the payment of cash dividends in limited circumstances 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	13 Oct 2016	(269,889)	(215,911)
Total Dividends Paid		(269,889)	(215,911)
Proposed fully franked dividends			
- 1.375 Cents per share (Ordinary Div.)	12 Oct 2017	(311,795)	(269,888)

Note: The dividend recommended for October 2017 has not been accrued in the above accounts.

(b) Franking credits

Franking credit tax component available for dividends in future years	242,023	242,789
Fully franked dividends possible at tax rate of 30%	564,720	566,508

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).

2017 Allocation	Level 1	Level 2	Level 3	Total
Financial assets	\$	\$	\$	\$
Cash & cash equivalents	1,166,599			1,166,599
Receivables		37,480		37,480
Portfolio Investments	8,190,751			8,190,751
Financial liabilities				
Other creditors	(101,824)			(101,824)
2016 Allocation	Level 1	Level 2	Level 3	Total
Financial assets	\$	\$	\$	\$
Cash & cash equivalents	1,867,062			1,867,062
Receivables		26,279		26,279
Portfolio Investments	4,269,136			4,269,136
Financial liabilities				
Other creditors	(85,886)			(85,886)

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.

	---- 2017 ----		---- 2016 ----	
	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)	(8,191)	8,191	(4,269)	4,269
Impact on Equity (Pre tax)	819,100	(819,100)	426,914	(426,914)

(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 significant 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.

	---- 2017 ----		---- 2016 ----	
	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)	11,666	(11,666)	18,671	(18,671)

(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.

	2017	2016
Cash at bank and short-term bank deposits:		
AA -	1,166,599	1,867,062

(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 borrowings. It manages liquidity carefully, maintaining appropriate maturity balances of short term deposits and marketable securities. London City's Board and management actively review the liquidity position on a regular basis to ensure that the company can always meet its commitments, including investment programmes.



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:	2017	2016
Immediate	10,001	65,304
To 30 Days	1,194,078	326,269
30 - 365 days	-	1,501,758
Longer Term	8,190,751	4,269,136

(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:	2017	2016
To 30 Days	101,824	85,886

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 2017 was \$83,100 (2016 - \$58,902).

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

(b) Directors' Remuneration:

2017	Salary, Fees Commissions	Primary Super Contributions	Post Employment	Other (Equity Options Etc)	Total \$
Mr P E J Murray	25,000	2,375	-	-	27,375
Mr D A Sutherland	25,000	2,374	-	-	27,374
Mr D G Butel	25,000	2,110	-	-	27,110
	<u>75,000</u>	<u>6,859</u>	<u>-</u>	<u>-</u>	<u>81,859</u>

2016	Salary, Fees Commissions	Primary Super Contributions	Post Employment	Other (Equity Options Etc)	Total \$
Mr P E J Murray	-	-	-	-	-
Mr D A Sutherland	25,000	2,374	-	-	27,374
Mr D G Butel	9,800	-	-	-	9,800
Mr R Chenery	16,667	-	-	-	16,667
	<u>51,467</u>	<u>2,374</u>	<u>-</u>	<u>-</u>	<u>53,841</u>

(c) Shareholdings

Number of Shares held by Directors and Specified Executives

	Balance 01-Jul-16	Received as Remuneration	Options Exercised	Net change *	Balance 30-Jun-17
Mr P E J Murray	7,290,201	-	-	428,716	7,718,917
Mr D A Sutherland	6,491,396	-	-	420,716	6,912,112
Mr D G Butel	6,491,396	-	-	340,716	6,832,112

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

Note: Each holding includes 6,832,112 shares (2016 - 6,491,396 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 2017 was \$83,100 (2016 \$58,902).
4. Interests of Mr Murray were paid \$113,840 by Imperial Pacific Limited during 2017.
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.

Cutcher & Neale - Assurance services

	2017	2016
	\$	\$
	19,000	14,700
	<u>19,000</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>21,300</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. Contingent liabilities

The Directors of London City Equities Limited are not aware of any contingent liabilities that may impact on the company.

Note 20 Contingent assets

On 17 June 2011 London City was granted judgment in its favour by the Federal Court of Australia to access certain records and documents of Penrice Soda Holdings Limited ("Penrice") and on 25 July 2011 Federal Court gave orders granting London City's access to specific Penrice records. The records have since been returned. The purpose of the legal action was, inter alia, to assess the conduct of the directors of Penrice and the provision of information at the time London City made its investments in Penrice. On 31 July 2014 Liquidators were appointed over Penrice and the operations closed. London City estimates that over \$250 million has been lost in Penrice by investors and the two banks, NAB and Westpac. The Board of London City is continuing this investigatory process with its advisors. It may lead to legal action being taken against Penrice, its Directors or associated parties for the recovery of substantial investment losses. Although information is supportive of a case there is insufficient information at this date to estimate future benefit that may arise from this action.

Note 21. Capital and Leasing commitments

(a) Capital Expenditure Commitments

There are no material capital commitments outstanding at year end.

(b) Operating Lease Commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable

Not later than one year

Between 1 & 2 years

Later than 2 years but not later than 5 years

	2017	2016
	\$	\$
	6,108	1,527
	-	-
	-	-
	<u>6,108</u>	<u>1,527</u>

These commitments represent non-cancellable operating leases relating to office premises.



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 and Mr. D.G.Butel. Each of these parties were directors of associated company, Imperial Pacific Limited and its group companies during the same periods, 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.:

	2017	2016
Management fee payable:		
Associated Entity - Imperial Pacific Limited Group	83,100	58,902
Amounts payable at balance date to Imperial Pacific Limited Group	4,187	33,442

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 6.3% of the equity capital of Fiducian Group Limited, a financial services company. Accordingly, London City has some dependency on the financial services sector. With its funds on deposit the company's revenue has some dependence on the level of interest rates.

Note 24. Events occurring after balance date

The Board of London City and its advisors have continued to investigate matters associated with Penrice Soda with particular emphasis on the provision (or lack thereof) of information to investors during 2008 and 2009 and scope for recovery. The Board notes that Penrice had Liquidators appointed on 31 July 2014. London City is also working with Imperial Pacific Fund Managers Pty Limited in a potential complementary action regarding Penrice. Any major decision will be advised to London City shareholders immediately.

An Ordinary Dividend of 1.375 Cents per share has been proposed for payment in October 2017. This has not been provided for in the financial statements.

London City Equities Limited

Notes to the financial statements - 30 June 2017



Note 25. Cash Flow Information

	2017	2016
	\$	\$
Reconciliation of operating profit after income tax to net cash inflow from operating activities:		
Operating Profit (Loss) after Income Tax	35,261	41,712
Prior Year Investments sold as trading	-	34,181
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Other Debtors, prepayments	(11,201)	(13,429)
Increase (Decrease) in Other Creditors	(3,709)	21,550
Net Cash inflow from Operating Activities	20,351	84,014
Cash Balances at year end:		
Money at Bank and on Hand	1,166,599	1,867,062
	<u>1,166,599</u>	<u>1,867,062</u>

Note 26. Earnings per share

	Cents	Cents
Basic and Diluted earnings per share	0.16	0.19
(Note: No dilution as no options in existence).		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	22,224,016	21,591,099