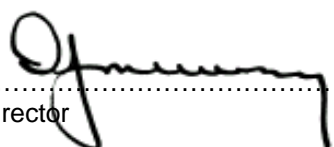


Appendix 4D

Half Year Report for the period ending 31 December 2018

Results for Announcement to the market:

<i>Reporting Period / Previous corresponding period</i>	6 months to 31 Dec 2018	6 months to 31 Dec 2017
<i>2.1 The amount of and percentage change up or down from the previous corresponding period of revenue from ordinary activities</i>	\$235,000 (Down 64%)	\$676,000
<i>2.2 The amount of and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.</i>	(\$18,000) (Down to Loss)	\$164,000
<i>2.3 The amount of and percentage change up or down from the previous corresponding period of the net profit (loss) for the period attributable to members.</i>	(\$18,000) (Down to Loss)	\$164,000
<i>2.4 The amount per security and franked amount per security of final and interim ordinary dividends.</i>	See Below	See Below
<i>2.5 The record date for determining entitlements to the dividends (if any)</i>	London City does not pay interim dividends	London City does not pay interim dividends
<i>2.6 A brief explanation of any of the figures in 2.1 and 2.4 necessary to enable the figures to be understood.</i>	See formal accounts.	See formal accounts.
<i>3.0 Net Tangible Assets per security with the comparative figure for the previous corresponding period.</i>	38 cents	49 cents
<i>4.0 Details of entities over which control has been gained or loss over the period.</i>	NA	NA
<i>5.0 Details of individual and total dividends including dates of distribution.</i>	\$311,800 - 1.375 cent in fully franked dividends paid on 11 Oct 2018	\$311,800 - 1.375 cent in fully franked dividends paid on 12 Oct 2017
<i>6.0 Details of Dividend Distribution plan in operation.</i>	Dividend Reinvestment Plan suspended.	Dividend Reinvestment Plan suspended.
<i>7.0 Details of associates and joint venture entities including names and details of investments and contribution to profits.</i>	NA	NA
<i>8.0 Foreign entities requirements</i>	NA	NA
<i>9.0 Whether the accounts are subject to audit dispute or qualification.</i>	No	No



 Director

14 February 2019



ABN 59 003 200 664

Half-Yearly Report

31 December 2018

Established in 1986



Website: www.londoncity.com.au



Chairman's Key Points

Half Year 2018 - Adverse Impact on Financial Services Shares – but reversed in recent days.

As shareholders know, London City has done well over the years from its solid exposure to the financial services sector. Despite our ongoing optimism with our very selective investments in the sector we have been frustrated during 2018 by the application of negativity to the whole sector arising from awful discoveries and disclosures by the Royal Commission into misconduct in the Banking and Financial Services industries. Fortunately the release last week of the Royal Commission's final report has endorsed the business structures of parties in which we hold investments (and identified many unsatisfactory operators). It is indeed pleasing that shares in 6.5% owned Fiducian Group Limited have risen over 20% in the last ten days.

Financials – Small Loss for the half - Dividend of 1.375 cents maintained

Mainly through the legal costs incurred on our legal case against Ernst & Young, the former auditors of the failed Penrice Soda Holdings our Income Statement has reflected a small loss of \$18,000 for the half year. We continue to monitor all costs.

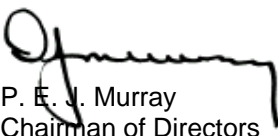
Net Assets a Share have risen significantly since balance date to 46 Cents a share,

Since 31 December the Investment Portfolio has seen its value appreciate by over \$1.6 million. This is a significant move for a company like London City with a relatively tight share capital of 23 million shares, We are pleased to report the Net Assets of London City are now estimated to be 46 Cents a share.

Other

The important legal action against Ernst & Young will see a major hearing taking place on Friday 29 March. We had expected this to occur last 28 September but the Ernst & Young claims at that hearing to produce more information (and defer debate) were unfortunately simply not met – and six months lost. We look forward to 29 March. On other matters, your Directors are pleased that the Royal Commission market confusion has been clarified and we can now look seriously at capital raising alternatives. This is important because we have identified a number of very interesting investment prospects – ones that were not around eighteen months ago.

For and on behalf of the Board



P. E. J. Murray
Chairman of Directors

14 February 2019

London City Equities Limited



Statutory Directors' Report **For the Half Year ended 31 December 2018**

The Directors of London City Equities Limited submit their report together with the consolidated financial report for the above period.

Directors

The names of Directors who held office at any time during the half year and up to the date of this report are Mr Peter E.J. Murray, Mr David G. Butel and Mr David A. Sutherland.

Review of Operations - Overview

The share portfolio fell in value through the six months by some \$1.5 million. As a result of significant adverse publicity generated by the Royal Commission into misconduct of banks and financial services our 6.5% shareholding in financial services house Fiducian Group Limited suffered. Since the recent release of the Royal Commissions final report the market has recognised Fiducian excellent integrity and has lifted the share price by over 20%. With a near fully invested position, Directors have been reviewing capital management alternatives.

Review of Operations - Results

London City recorded an operating loss of \$18,000 for the half year (profit of \$164,000 in 2017). Income was impacted by legal costs associated with our action against Ernst & Young, auditors of the failed Penrice Soda.

Review of Operations – Dividend

London City paid the increased 1.375 Cent fully franked dividend to shareholders in October. The Dividend Reinvestment Plan has been suspended for many years and did not apply to this payout. London City does not pay interim dividends.

Events occurring after Balance Date

The major significant event occurring since balance date has been the re-rating of many shares in the financial services sector, including our 6.5% shareholding in Fiducian Group Limited rising by some \$1.6 million in recent weeks. A further step in the legal action will be the forthcoming hearing due on 29 March 2019. The matter will become more clarified then.

Auditor's Independence Declaration

The auditors, Cutcher & Neale, have provided us with the enclosed declaration of independence.

This Report is made in accordance with a resolution of the Directors. Dated at Sydney this 14th day of February 2019.

On behalf of the Board,



P.E.J. Murray - Director.



D.G. Butel – Director

London City Equities Limited

ABN 59 003 200 664



Income Statement For the Half Year to 31 December 2018

	Note	31 Dec 2018 \$	31 Dec 2017 \$
Revenue	(2)		
Dividends - investment portfolio		233,927	454,337
Interest - deposits and bank bills		1,200	8,594
Proceeds - Sale of Trading Securities		-	213,528
		<u>235,127</u>	<u>676,459</u>
Operating Expenses	(2)		
Cost of Securities Sold		-	(339,221)
Management Fees		(48,531)	(53,851)
Directors' Fees		(45,000)	(42,500)
Other Operating Expenses		<u>(159,478)</u>	<u>(76,755)</u>
Profit (Loss) from Ordinary Activities before Income Tax	(2)	(17,882)	164,132
Income Tax Expense relating to ordinary activities		-	-
Net Profit (Loss) attributable to members of the parent entity		<u>(17,882)</u>	<u>164,132</u>
Total changes in equity other than those resulting from transactions with owners as owners:		<u>(17,882)</u>	<u>164,132</u>
Basic Earnings Per Share (Cents per share)		(0.08)	0.72

The accompanying notes form part of this financial report

London City Equities Limited

ABN 59 003 200 664



Statement of Financial Position as at 31 December 2018

	31 Dec 2018 \$	30 June 2018 \$
Current Assets		
Cash and cash equivalents	4,848	342,894
Trade and other receivables	83,649	29,978
Total Current Assets	88,497	372,872
Non-Current Assets		
Investment Portfolio	8,456,067	9,965,467
Deferred Tax Assets	1,849,000	1,849,000
Total Non-Current Assets	10,305,067	11,814,467
Total Assets	10,393,564	12,187,339
Current Liabilities		
Trade and other payables	282,707	202,371
Total Current Liabilities	282,707	202,371
Non-Current Liabilities		
Deferred Tax Liabilities - Investment Portfolio	1,377,000	1,840,000
Total Non-Current Liabilities	1,377,000	1,840,000
Total Liabilities	1,659,707	2,042,371
Net Assets	8,733,857	10,144,968
Shareholders' Equity		
Contributed Equity	4,507,475	4,507,475
Realised Capital Gains Reserve	(6,739,135)	(6,739,135)
Unrealised Revaluation Reserve	4,792,915	5,874,346
Retained Profits	6,172,602	6,502,282
Total Equity	8,733,857	10,144,968

The accompanying notes form part of this financial report

London City Equities Limited

ABN 59 003 200 664



Statement in Changes in Equity For the Half Year to 31 December 2018

2018	Issued Capital	Realised Capital Gains Reserve	Unrealised Revaluation Reserve	Retained Earnings	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2018	4,507,475	(6,739,135)	5,874,346	6,502,282	10,144,968
Available-for-sale financial assets					
Realised losses		-			-
- Net unrealised gains taken to equity			(1,544,431)		(1,544,431)
- Net Tax on unrealised gains			463,000		463,000
Net Income for period				(17,882)	(17,882)
Dividends Paid				(311,798)	(311,798)
At 31 December 2018	4,507,475	(6,739,135)	4,792,915	6,172,602	8,733,857

2017	Issued Capital	Realised Capital Gains Reserve	Unrealised Revaluation Reserve	Retained Earnings	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2017	4,507,475	(6,726,795)	4,541,000	6,790,327	9,112,007
Available-for-sale financial assets					
Realised losses		(133,322)			(133,322)
- Net unrealised gains taken to equity			2,569,000		2,569,000
- Net Tax on unrealised gains			(238,000)		(238,000)
Net Income for period				164,132	164,132
Dividends Paid				(311,798)	(311,798)
At 31 December 2017	4,507,475	(6,860,117)	6,872,000	6,642,661	11,162,019

The accompanying notes form part of this financial report

London City Equities Limited

ABN 59 003 200 664



Cash Flow Statement For the Half Year to 31 December 2018

	31 Dec 2018 \$	31 Dec 2017 \$
Cash flows from operating activities		
Dividends Received	233,926	451,667
Interest received	1,201	8,594
Proceeds from sale of trading investments	-	213,529
Purchase of trading investments	-	(96,545)
Payments to suppliers and management	(175,441)	(124,513)
Net Cash provided by (used in) operating activities	59,686	452,732
Cash flows from investing activities		
Proceeds from sale of investments	-	37,730
Purchase of investments	(64,223)	(502,770)
Net Cash provided by (used in) investing activities	(64,223)	(465,040)
Cash flows from financing activities		
Increase (reduction) in related corporations	(21,712)	8,000
Dividends paid to shareholders	(311,797)	(311,797)
Net Cash provided by (used in) financing activities	(333,509)	(303,797)
Net increase / (decrease) in cash held	(338,046)	(316,105)
Cash at beginning of half year	342,894	1,166,599
Cash at end of the period	4,848	850,494
Comprising:		
Cash and cash equivalents	4,848	850,494
	4,848	850,494

The accompanying notes form part of this financial report.

London City Equities Limited

ABN 59 003 200 664



Notes to the Accounts as at 31 December 2018

Note 1 Statement of Significant Accounting Policies

(a) Basis of Preparation

This general purpose half-year condensed financial report has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001 and other applicable Accounting Standards and other mandatory professional reporting requirements.

This interim financial report does not include all the notes of the type normally included in an annual financial report. It is recommended that this report should be read in conjunction with the 2018 Annual Report and public announcements made by the company during the half year, in accordance with the continuous disclosure obligations arising out of the Corporations Act 2001.

This half-year financial report also has been prepared in accordance with AIFRS (Australian Equivalents to International Financial Reporting Standards).

The financial statements are prepared using the valuation methods described below for holdings of securities. All other items have been treated in accordance with the historical cost convention

The accounting policies adopted have been consistently applied by the company and are consistent with those applied in the 30 June 2018 Annual Report. New standards or interpretations mandatory for the annual reporting period beginning 1 July 2018 will not have any effect on the financial position performance of the company.

(b) Other Disclosure

The financial report of London City Equities Limited for the six months ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 14 February 2019.

London City Equities Limited is a company limited by shares incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange

London City Equities Limited

ABN 59 003 200 664



Notes to the Accounts as at 31 December 2018 (Cont'd)

Note 2 Profit (Loss) from ordinary activities

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

(a) crediting as revenue

	31 Dec 2018 \$	31 Dec 2017 \$
Dividends	233,927	454,337
Interest	1,200	8,594
Proceeds - Sale of Trading Securities	-	213,528
	<u>235,127</u>	<u>676,459</u>

(b) charging as expense:

Payable to Auditors - Audit	(5,700)	(1,700)
Payable to Auditors - Other Services	500	(200)
Directors Fees - Paid or accrued	(45,000)	(42,500)
Litigation Expenses	(106,265)	(34,091)
Management Fees (Base) - Related Corporation	(48,531)	(53,851)
Management Fees (Performance) - Related Corporation	-	-
Cost of Trading Securities	-	(339,221)
Other Operating Expenses	(48,013)	(40,764)
	<u>(253,009)</u>	<u>(512,327)</u>

Profit (Loss) from Ordinary Activities before Income Tax

	<u>(17,882)</u>	<u>164,132</u>
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Note 3 Unrealised Revaluation Reserve

Unrealised gains on listed securities available-for-sale
Income Tax applicable

4,792,915	7,561,000
-	(689,000)
<u>4,792,915</u>	<u>6,872,000</u>

Note 4 Shares on Issue

Ordinary Shares - 1 July 2018

Change during Period

Ordinary Shares - 31 December 2018

Number	Number
22,676,099	22,676,099
-	-
<u>22,676,099</u>	<u>22,676,099</u>

Average Shares on Issue during period

22,676,099	22,676,099
------------	------------

The company has in existence a Dividend Reinvestment Plan under which shareholders elect to have all or part of their dividend reinvested in new ordinary shares at a discount to the market price. The scheme has been suspended since 2010 .

Note 5 Dividends Paid

The following dividends were recognised in the accounting period:

A fully franked ordinary dividend of 1.375 cents per share was paid to shareholders on 11 October 2018 (previous year - 1.375 cent fully franked dividend).

There are no interim dividends proposed for payment.

31 Dec 2018 \$	31 Dec 2017 \$
311,796	311,796
-	-
<u>-</u>	<u>-</u>

London City Equities Limited

ABN 59 003 200 664



Notes to the Accounts as at 31 December 2018 (Cont'd)

Note 6 Taxation

A future income tax benefit of \$1,849,000 has been brought to account in respect of estimated recoupable tax losses available to the company. While market values indicate higher recoupment of past tax losses, Directors have cautiously opted not to bring the full amount of future income tax benefit to account.

At the present levels there remain some \$2,000,000 in tax losses still available for the future. These tax losses have not been confirmed by tax authorities and the tax 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 7 Segmental Information

The economic entity acted through the period as a strategic investment holding company

	Equity Investment	Other	Total
December 2018			
Revenue	\$	\$	\$
Investment /other revenue	233,927	1,200	235,127
Segment result			
Profit after tax	107,423	(125,305)	(17,882)
Segment assets	10,346,891	46,673	10,393,564
Segment liabilities	(1,482,699)	(177,008)	(1,659,707)
Net cash inflow from operating activities	146,206	(86,520)	59,686
December 2017			
Revenue	\$	\$	\$
Investment /other revenue	667,865	8,594	676,459
Segment result			
Profit (Loss) after tax	242,091	(77,959)	164,132
Segment assets	12,732,574	887,944	13,617,847
Segment liabilities	(2,331,395)	(127,104)	(2,455,828)
Net cash inflow from operating activities	506,395	(53,663)	452,732

Note 8. Legal Matter - Ernst & Young

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"). The records have since been returned. The purpose of the legal action was, inter alia, to assess the conduct of parties associated with Penrice and the provision of information to investors. On 31 July 2014 Liquidators were appointed over Penrice and the operations closed. London City incurred substantial direct and indirect losses in relation to the investment in Penrice. During 2017 London City and other parties commenced legal proceedings in the Supreme Court of NSW by lodging a Statement of Claim against Messrs Ernst & Young, the former auditors of Penrice, seeking appropriate recompense. The next material date in the proceedings will take place on 2 March. There is insufficient information at this date to estimate the extent of future benefit or future costs that may arise from this action.



Directors' Declaration

In the Directors' opinion:

1. the financial statements and notes set out on pages 3 to 9 are in accordance with the Corporations Act 2001, including

(i) complying with Accounting Standards , the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the Company's financial position as at 31 December 2018 and its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date.

2. there are reasonable grounds to believe that London City Equities Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

P.E.J. MURRAY, Director

D.G. BUTEL, Director

Sydney

Dated this 14th day of February 2019

Auditor's Independence Declaration to the Directors of London City Equities Limited

In relation to our review of the financial report of London City Equities Limited for the half year ended 31 December 2018, to the best of my knowledge and belief there have been:

- (a) no contravention of the auditor independence requirements of the Corporation Act 2001;
- (b) no contravention of any applicable code of professional conduct.



Mark O'Connor CA
Partner



Cutcher & Neale
Chartered Accountants

25 Bolton Street
Newcastle NSW 2300

14 February 2019

Independent Review Report to the Members of London City Equities Limited

Report on the Half-Year Financial Report

We have reviewed the financial report of London City Equities Ltd (“the Company”) for the half year ended 31 December 2018 as set out on pages 3 to 9. The financial report comprises the statement of financial position as at 31 December 2018, the income statement, cash flow statement, and statement of changes in equity for the half-year ended on that date, accompanying notes to the financial statements, and the directors’ declaration.

Directors’ Responsibility for the Half-Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity’s financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of London City Equities Limited and its consolidated entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

- 12 -

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors, would be in the same terms if given to the Directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of London City Equities Ltd is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Mark O'Connor CA
Partner



Cutcher & Neale
Chartered Accountants

25 Bolton Street
Newcastle NSW 2300

14 February 2019