

## Market Update – Portfolio / EY Litigation

In the light of the current extraordinary worldwide health pandemic and adverse business conditions Directors of London City provide updates to the company's Investments, Net Worth levels, Ernst & Young litigation and their views on strengthening capital.

### Investment Portfolio

The value of London City's Investment Portfolio has fallen in line with overall market movements. While this is not surprising, given our large involvement in the financial services sector, Directors have noted that the price falls on our investments have been on light turnover. Invariably, larger fellow investors have held their stock as have we. Indeed **Fiducian Group Limited**, 7% owned, has seen close associates increase their holdings. The recent fully franked dividend of \$240,000 paid to us by Fiducian was a record payout. **Excelsior Capital Limited** (2% held via a 5% group holding) had a flat half year and a reduced dividend payout following further Board changes.

### Net Worth

Directors estimate that the unaudited net assets of London City are presently in the order of **\$8.5 million or 37.5 Cents per share**. The Board continues its conservative policy of writing-off all legal costs relating to the Ernst & Young litigation, despite our claims for significant damage recoveries (see below).

### Legal Action – Ernst & Young

Legal action taken in the Supreme Court of NSW by London City and associates continues against Ernst & Young, former auditors of Penrice Soda Holdings Limited which went into liquidation in 2014. Following the Court's favourable Judgment in early August, London City and its legal advisers have now served and lodged an Amended Statement of Claim. As reported earlier, the extensive claims include alleged failures by Ernst & Young to conduct successive audits with due care and skill, negligent mis-statements, breach of duty of care, issues of misleading conduct and resisting ASIC demands for inventory re-classification. Directors point out that important information remains outstanding – such as Audit Files – and this will be pursued in the near future. The defendants, Ernst & Young, have 28 days to lodge a formal response.

In the meantime London City has appointed an independent professional forensic accountant to review and submit precise claim sums regarding remedial damages suffered and recoverable by London City. As shareholders know, book losses of \$6.7 million were incurred between 2011 and 2013 and significant alternative investment opportunities were lost. However, being conservative, Directors point out there is insufficient information at this point to estimate future benefits that might arise or costs that might be incurred with this action.

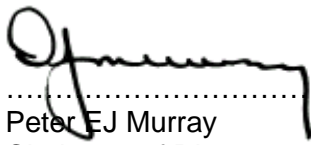
London City and associated parties are being represented by Mr Luke Bhatti of Hedges Bhatti Solicitors and Mr Julian Sexton SC, Mr Stuart Wells and Mr Andrew Emmerson as Counsel.

## Equity Funding

Directors are monitoring the current stock market conditions closely and taking account of perceived investment opportunities as well as balancing adequate equity capital levels needed for corporate operating costs, dividends and funding the ongoing Ernst & Young litigation.

In this regard Directors note the liquid nature of its ASX listed investments and regular dividend income. In addition, Directors are giving consideration to a potential capital raising that will further support the corporate needs and take advantage of suitable investment opportunities as and when they arise.

For and on behalf of the Board

  
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Peter EJ Murray  
Chairman of Directors

29 April 2020

