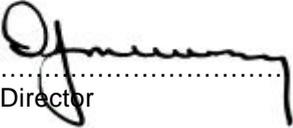


**Appendix 4D**  
**Half Year Report for the period ending 31 December 2011**

**Results for Announcement to the market:**

<i>Reporting Period / Previous corresponding period</i>	<b>6 months to 31 Dec 2011</b>	<b>6 months to 31 Dec 2010</b>
<i>2.1 The amount of and percentage change up or down from the previous corresponding period of revenue from ordinary activities</i>	\$154,295 (up 7.0%)	\$144,291
<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>	\$83,550 (up 97%)	\$42,426
<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>	\$83,550 (up 97%)	\$42,426
<i>2.4 The amount per security and franked amount per security of final and interim ordinary dividends.</i>	See Below	Se Below
<i>2.5 The record date for determining entitlements to the dividends (if any)</i>	NA	NA
<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>	33.4 cents	41.2 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>	\$217,861 - 1.0 cent in fully franked dividends paid on 14 Oct 2011. No interim dividend this half.	\$216,651 - 1.0 cent in fully franked dividends paid on 20 Oct 2010. No interim dividend this half.
<i>6.0 Details of Dividend Distribution plan in operation.</i>	Dividend Reinvestment Plan suspended.	Dividend Reinvestment Plan allowing a discount of 5% on the market price at the time.
<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

24 February 2012



ABN 59 003 200 664

## Half-Yearly Report

31 December 2011

*Established in 1986*



Website: [www.londoncity.com.au](http://www.londoncity.com.au)

# London City Equities Limited



## Half Year – Below Average but improving

The company has increased the returns on its investment portfolio in the period but its progress continues to be hampered by its major investment in Penrice Soda Holdings. We have actively sought change and improvement in Penrice's performance but have been unsuccessful. During the period we have sold down some of our Penrice investment for a loss.

Other investments, including Fiducian Portfolio Services Limited (3.5% owned) and Tranzact Financial Services Limited (3.4% owned), have been satisfactory, despite the market storm over the period and continue to reward shareholders good dividends.

## Financial Results – Marginal Improvement

Our results were modest with a profit after tax of \$83,550. Revenue has increased and costs watched closely to boast a 97% increase in profit. However, the quantum of the profit is well below what we believe to be satisfactory as London City's operating profit continues to be cruelled by a lack of dividend flow from Penrice, hence our move to better yielding stocks.

## Net Asset Backing Per Share – 33.4 cents after dividend

London City reports a net asset per share backing at 33.4 cents at 31 December 2011. The company currently holds 27% of its assets in cash.

## Capital Management and Investment

Shareholders are aware the company has continued with capital management measures during 2011 via a share buy-back program and a dividend payout based on net assets and franking credit levels. We continue to purchase high yielding stocks to support our dividend objectives and these "return" stocks are blue chip in quality. The company maintains good reserves of cash with its bankers.

## Thank You

Thank you to shareholders and all those in the London City community. As is our policy, we only pay annual fully franked dividends from our full year's earnings. This has been another challenging investment period for many investors with many funds showing negative returns for the past six months, so I am pleased to report that your company has positioned itself conservatively through the period. With the European Monetary Crisis coming to a head and signs of recovery in the USA, we look forward to a more positive investment landscape over the coming year.

A handwritten signature in black ink, appearing to be 'J C Plummer', written over a horizontal line.

J C Plummer  
Chairman of Directors

24 February 2012

# London City Equities Limited



## Statutory Directors' Report For the Half Year ended 31 December 2011

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 John C Plummer, Mr Peter E J. Murray and Mr Rob Chenery.

### Review of Operations - Overview

The value of the share portfolio fell by around \$800,000 over the six months, partly by the sale of one-third of London City's shareholding in Penrice and partly by reduced market values on other holdings. These other investments have operated well but the share prices have experienced the general market downturn. Some of the proceeds of the Penrice sales has been re-invested in our other dividend yielding holdings that include 3.5% of Fiducian Portfolio Services Limited, 3.4% of Tranzact Financial Services Limited and 0.5% of IMB Bank Limited. London City has maintained good level of liquid funds with the bankers, these standing at \$2.0 million

Penrice has presided over losses, collapsed share prices and no dividends for some time and, as shareholders know, London City was successful with its Federal Court application to inspect the records of Penrice and consider the conduct of that company's Directors. The inspection programme is continuing.

### Review of Operations - Results

The six months saw London City achieve a profit of \$83,350, an improvement on \$42,426 in 2010. The sale of the Penrice shares undertaken in the period crystallised losses of approximately \$2.3 million before tax and the after tax losses are incorporated in the company's Shareholders' Equity. Although investment revenues are good and operating costs kept at very low levels, the lack of a dividend from Penrice is a serious issue.

### Review of Operations – Dividend

London City paid a one cent fully franked dividend to shareholders in October 2011. The Dividend Reinvestment Plan has been suspended and did not apply to this payout. London City does not pay interim dividends.

### 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 24th day of February 2012.

On behalf of the Board

J.C. Plummer  
Director

P.E.J. Murray  
Director

# London City Equities Limited

ABN 59 003 200 664



## Income Statement For the Half Year to 31 December 2011

	Note	31 Dec 2011 \$	31 Dec 2010 \$
<b>Revenue</b>	(2)		
Dividends - investment portfolio		44,362	29,505
Interest - deposits and bank bills		31,413	29,760
Trust Distributions		74,405	85,026
Other Income		4,115	-
		<hr/>	<hr/>
		154,295	144,291
<b>Operating Expenses</b>	(2)		
Management Fees		(26,514)	(37,027)
Directors' Fees		(25,000)	(25,000)
Other Operating Expenses		(19,231)	(39,838)
		<hr/>	<hr/>
<b>Profit (Loss) from Ordinary Activities before Income Tax</b>	(2)	83,550	42,426
Income Tax Expense relating to ordinary activities		-	-
		<hr/>	<hr/>
<b>Net Profit (Loss) attributable to members of the parent entity</b>		<b>83,550</b>	<b>42,426</b>
		<hr/>	<hr/>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>83,550</b>	<b>42,426</b>
		<hr/> <hr/>	<hr/> <hr/>
Basic Earnings Per Share (Cents per share)		0.38	0.19

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 2011

	31 Dec 2011 \$	30 June 2011 \$
<b>Current Assets</b>		
Cash and cash equivalents	1,071,765	1,038,980
Trade and other receivables	24,018	12,623
<b>Total Current Assets</b>	<b>1,095,783</b>	<b>1,051,603</b>
<b>Non-Current Assets</b>		
Investment Portfolio	3,957,451	4,799,012
Deferred Tax Assets	2,269,918	2,088,035
<b>Total Non-Current Assets</b>	<b>6,227,369</b>	<b>6,887,047</b>
<b>Total Assets</b>	<b>7,323,152</b>	<b>7,938,650</b>
<b>Current Liabilities</b>		
Trade and other payables	38,373	66,771
<b>Total Current Liabilities</b>	<b>38,373</b>	<b>66,771</b>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities - Investment Portfolio	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>38,373</b>	<b>66,771</b>
<b>Net Assets</b>	<b>7,284,779</b>	<b>7,871,879</b>
<b>Shareholders' Equity</b>		
Contributed Equity	4,281,970	4,310,366
Realised Capital Gains Reserve	(579,748)	1,037,508
Unrealised Revaluation Reserve	(3,457,220)	(4,650,083)
Retained Profits	7,039,777	7,174,088
<b>Total Equity</b>	<b>7,284,779</b>	<b>7,871,879</b>

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 2011

<b>2011</b>	Issued Capital	Realised Capital Gains Reserve	Unrealised Revaluation Reserve	Retained Earnings	Total Equity
	\$	\$	\$	\$	\$
<b>At 1 July 2011</b>	4,310,366	1,037,508	(4,650,083)	7,174,088	7,871,879
Shares purchased re Buy-back	(28,396)				(28,396)
Available-for-sale financial assets:					
- Net realised loss taken to equity		(2,310,366)			(2,310,366)
- Tax on realised loss		693,110			693,110
- Net unrealised gains taken to equity			1,704,090		1,704,090
- Tax on unrealised gains			(511,227)		(511,227)
Net Income for period				83,550	83,550
Dividends Paid				(217,861)	(217,861)
<b>At 31 December 2011</b>	<u>4,281,970</u>	<u>(579,748)</u>	<u>(3,457,220)</u>	<u>7,039,777</u>	<u>7,284,779</u>

<b>2010</b>	Issued Capital	Realised Capital Gains Reserve	Unrealised Revaluation Reserve	Retained Earnings	Total Equity
	\$	\$	\$	\$	\$
<b>At 1 July 2010</b>	4,240,299	1,112,510	(4,055,598)	7,396,881	8,694,092
Dividend Reinvestment Plan	85,359				85,359
Available-for-sale financial assets:					
- Net unrealised gains taken to equity			646,293		646,293
- Tax on unrealised gains			(193,350)		(193,350)
Net Income for period				42,426	42,426
Dividends Paid				(216,651)	(216,651)
<b>At 31 December 2010</b>	<u>4,325,658</u>	<u>1,112,510</u>	<u>(3,602,655)</u>	<u>7,222,656</u>	<u>9,058,169</u>

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 2011

	31 Dec 2011 \$	31 Dec 2010 \$
<b>Cash flows from operating activities</b>		
Interest received	31,052	18,719
Dividends Received	44,362	29,505
Distribution from Unit Trust	74,405	85,026
Payments to suppliers and management	(70,250)	(183,044)
Net Cash provided by (used in ) operating activities	<u>79,569</u>	<u>(49,794)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	459,264	481,192
Purchase of investments	(232,964)	(427,680)
Net Cash provided by (used in) investing activities	<u>226,300</u>	<u>53,512</u>
<b>Cash flows from financing activities</b>		
Payments for Shares bought back	(28,396)	-
Increase (reduction) in related corporations	(26,827)	-
Dividends paid to shareholders	(217,861)	(131,292)
Net Cash provided by (used in) financing activities	<u>(273,084)</u>	<u>(131,292)</u>
<b>Net increase / (decrease) in cash held</b>	32,785	(127,574)
Cash at beginning of half year	1,038,980	1,171,209
<b>Cash at end of the period</b>	<u>1,071,765</u>	<u>1,043,635</u>
<b>Comprising:</b>		
Cash and cash equivalents	<u>1,071,765</u>	<u>1,043,635</u>

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 2011

### 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 2011 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 2011 annual report. New standards or interpretations mandatory for the annual reporting period beginning 1 July 2011 will not have any effect on the financial position or performance of the company.

#### (b) Other Disclosure

The financial report of London City Equities Limited for the six months ended 31 December 2011 was authorised for issue in accordance with a resolution of the Directors on 21 February 2012.

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 2011 (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 2011 \$	31 Dec 2010 \$
Dividends	44,362	29,505
Interest	31,413	29,760
Investment Income - Distribution	74,405	85,026
Other Income	4,115	-
	<u>154,295</u>	<u>144,291</u>

#### (b) charging as expense:

Payable to Auditors - Audit	(2,400)	(3,300)
Payable to Auditors - Other Services	(1,050)	(1,000)
Directors Fees - Paid or accrued	(25,000)	(25,000)
Management Fees (Base) - Related Corporation	(26,514)	(37,027)
Management Fees (Performance) - Related Corporation	-	-
Other Operating Expenses	(15,781)	(35,538)
	<u>(70,745)</u>	<u>(101,865)</u>

### Profit (Loss) from Ordinary Activities before Income Tax

83,550	42,426
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### Note 3 Unrealised Revaluation Reserve

Unrealised net gains/(reduction) on listed securities available-for-sale  
Income Tax applicable

(4,938,885)	(5,146,650)
1,481,665	1,543,995
<u>(3,457,220)</u>	<u>(3,602,655)</u>

### Note 4 Shares on Issue

	Number	Number
Ordinary Shares - 1 July 2011	21,900,932	21,665,110
Plus: Dividend Reinvestment Plan Issue - 20 October 2010	-	294,369
Less: Shares purchased under Buy-back scheme.	(116,205)	-
Ordinary Shares - 31 December 2011	<u>21,784,727</u>	<u>21,959,479</u>

Average Shares on Issue during period	21,842,830	21,787,764
---------------------------------------	------------	------------

The company operates 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. It operated in 2010 but has been suspended since. The normal discount is 5%.

# London City Equities Limited

ABN 59 003 200 664



## Notes to the Accounts as at 31 December 2011 (Cont'd)

### Note 5 Dividends Paid

The following dividends were recognised in the accounting period:

	31 Dec 2011	31 Dec 2010
	\$	\$
A fully franked ordinary dividend of 1.0 cent per share was paid to shareholders on 14 October 2011 (previous year - 1.0 cent fully franked ordinary dividend)	217,861	216,651

There are no interim dividends proposed for payment.

### Note 6 Taxation

A future income tax benefit has been brought to account in the accounts in respect of estimated recoupable revenue tax losses of \$200,000, unrealised losses of \$4,938,000 and realised losses of \$2,416,000. No future income tax benefit has been brought to account in respect of estimated past revenue losses of \$800,000 and capital tax losses of \$2,000,000. These losses have not been confirmed by tax authorities and 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 7 Segmental Information

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

	Equity Investment	Other	Total
<b>December 2011</b>			
Revenue			
Investment /other revenue	96,992	57,303	154,295
Segment result			
Profit after tax	74,620	11,930	86,550
Segment assets	5,336,059	1,998,320	7,334,379
Segment liabilities	(24,800)	(24,800)	(49,600)
Net cash inflow from operating activities	53,880	25,689	79,569
	Equity Investment	Other	Total
<b>December 2010</b>			
Revenue			
Investment /other revenue	114,531	29,760	144,291
Segment result			
Profit after tax	52,504	(10,078)	42,426
Segment assets	6,952,469	2,151,778	9,104,247
Segment liabilities	(11,577)	(34,501)	(46,078)
Net cash inflow from operating activities	57,496	(107,290)	(49,794)

### Note 8 Contingent Assets and Contingent Liabilities

On 17 June and on 25 July 2011 London City Equities Limited was granted judgment in its favour by the Federal Court of Australia to access certain records and documents of Penrice Soda Holdings Limited ("Penrice"). This followed legal action by London City to assess the conduct of the directors of Penrice and the provision of information at the time London City made investments in Penrice. This investigatory process may ultimately lead to legal action being taken against the directors of Penrice, or that company itself, for the recovery of substantial investment losses. There is insufficient information at the date of this report to estimate any future benefit that may arise.

# London City Equities Limited

ABN 65 000 144 561



## 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

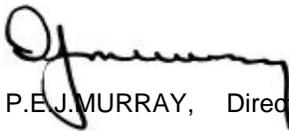
(ii) give a true and fair view of the Company's financial position as at 31 December 2011 and its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date.

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.



J. C. PLUMMER, Director



P. E. J. MURRAY, Director

Sydney

Dated this 24<sup>th</sup> day of February 2012



**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 2011, 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.

Dated this 24<sup>th</sup> day of February 2012  
First Floor  
25 Bolton Street  
NEWCASTLE

CUTCHER & NEALE  
CHARTERED ACCOUNTANTS

  
I. K. Neale FCA  
Partner



## Independent Review Report to the Members of London City Equities Limited

### Scope

#### *The financial report and director's responsibility*

We have reviewed the financial report of London City Equities Limited for the half year ended 31 December 2011 as set out on pages 3 to 10. The financial report comprises the statement of financial position, income statement, cash flow statement, statement of changes in equity, accompanying note to the financial statements, and the directors' declaration for London City Equities Limited for the half year ended 31 December 2011.

The company's directors are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards AASB 134 "Interim Financial Reporting", in accordance with the corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Review Approach*

We conducted an independent review of the financial report in order to make a statement about it to the members of the company and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our Review was conducted in accordance with Auditing Standard on Review Engagements ASRE 2410: "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity", in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 134: "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position, and of its performance as measured by the results of its operations and its cash flows. In addition, ASRE 2410 requires compliance with the ethical requirements relevant to the audit of the annual financial report.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than that given in an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

### **Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### **Statement**

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 Limited is not in accordance with:

(a) the Corporations Law, including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2011 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; and

(a) other mandatory financial reporting requirements in Australia.

Dated this 24<sup>th</sup> day of February 2012  
First Floor  
25 Bolton Street  
NEWCASTLE

CUTCHER & NEALE  
CHARTERED ACCOUNTANTS



I. K. Neale FCA  
Partner