


For personal use only



LONDON CITY EQUITIES
LIMITED

ABN 59 003 200 664

Annual Report
2023

| | |
|---|---|
|  | <p>FIDUCIAN GROUP LIMITED (7% owned) <i>Financial Services – Financial Planning, Platform Administration, Superannuation, Funds Management, Information Technology</i></p> |
| <p>cmi</p> | <p>EXCELSIOR CAPITAL LIMITED (8% owned directly) <i>Investment and CMI Electrical – Suppliers of electrical products and solutions to Australian and overseas industrial, mining, infrastructure, commercial, petrochemical and information technology sectors</i></p> |



London City Equities Limited



Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Shareholders of London City Equities Limited will be held at Level 2, 111 Harrington Street, The Rocks on Wednesday Thursday 2 November 2023 at 10.30am.

Ordinary Business

1. To receive, consider and discuss the Directors' Report and Accounts for the year ended 30 June 2023 and payment of dividend.
2. To adopt the Remuneration Report for the year ended 30 June 2023 as disclosed in the Directors Report. (Note: The vote on this resolution is advisory only and does not bind the Directors.)
3. To elect a Director. In accordance with the Constitution Mr. D.G. Butel retires by rotation, and being eligible, offers himself for re-election. (Details of Mr Butel are shown later.)

Other

4. To consider and if thought fit, to pass the following resolution as a special resolution:
5. To transact such other business as may be brought forward in accordance with the Constitution and the Corporations Act 2001.

By Order of the Board

Louis J. Joseph
Company Secretary

Sydney,

20 September 2023

PROXIES

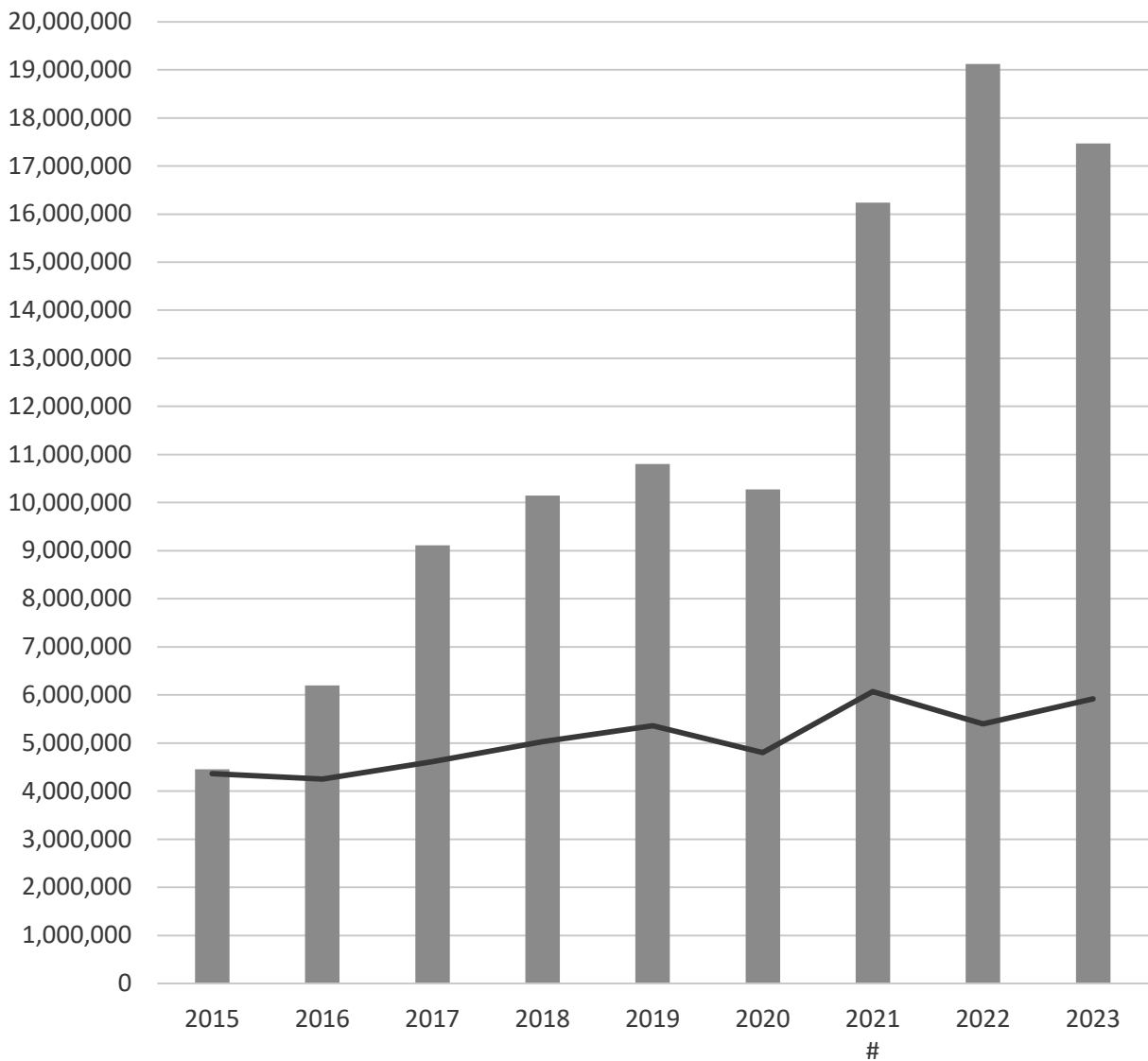
A member entitled to attend and vote is entitled to appoint no more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. A proxy need not be a member of the Company. Proxies must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting. A proxy form is enclosed with this notice.

For personal use only



Net Asset Changes 2015 - 2023 (After Payment of dividends)

For personal use only



■ Net Assets — ASX All Ordinaries Index

Includes \$3.0 million in new Rights Issue funds

London City Equities Limited



Key Features for 2022-23

- **London City Net Worth fell 8.7%, impacted by (a) market reductions in the financial services sector re higher interest rates and (b) a higher 2022 dividend payout.**
- **Rising dividend income now easily covering operating costs**
- **Investment Portfolio shareholdings continue to increase by share purchases, particularly in Excelsior Capital. Presently fully invested.**
- **Fiducian Group (6.7% owned) produced comfortable 2023 results and a much higher dividend. Excelsior Capital ownership increased to 8% directly – part of 12% associated. Excelsior has reported 2023 results up 25%.**

Corporate Directory

| | |
|---|---|
| Directors: | P. E. J. Murray B.A., FCA, AfSIAA (Chairman) D.G. Butel MBA, BSc, Dip Bus Std, Dip Ed. L.J. Joseph B.Comm |
| Chief Operating Officer: | P. E. J. Murray B.A., FCA, AfSIAA |
| Company Secretary: | L. J. Joseph B Comm |
| Auditors: | Cutcher & Neale Assurance Pty Limited, Chartered Accountants 130 Parry Street, Newcastle West, NSW 2302 |
| Bankers: | Westpac Banking Corporation |
| Corporate and Registered Office: | Level 2, 111 Harrington Street, The Rocks NSW 2000 Postal Address: PO Box R1414, Royal Exchange, NSW 1225 Telephone: (02) 9247-9315 |
| Share Registrar: | Registry Direct Level 3, 162 Collins Street, Melbourne Vic 3000 Telephone: (03) 9111 5652 or 1300 55 66 35 |
| Web-site: | www.londoncity.com.au |
| Stock Exchange: | Australian Securities Exchange Limited (Home Exchange – Sydney (Code - “LCE”) 20 Bridge Street, Sydney, NSW 2000 |

For personal use only

London City Equities Limited



Chairman's Review

Soft year - Net Worth drops 8.7% but underlying investments performing well

The impact of rising interest rates and a lower rating of the financial services sector reduced London City's net worth by 8.7% because of the key interest held in Fiducian Group Limited. The payment of an increased dividend in October 2022 also impacted. Nonetheless both Fiducian and Excelsior have released very credible results for 2023 and the portfolio value has risen since.

Overall, the **Australian stock-market** rose over the year despite ongoing rises in interest rates, arguably because the markets were looking beyond the rising interest rate / inflation fight scenario. The ASX – All Ordinaries Index started the financial year at **6,747** and finished at **7,384** – up 9.4%. London City's net worth movement did not match this over the same period – although its two year performance since 2021 exceeded the comparable index growth by 2% per annum.

Operating Results – Rising Dividend income easily covering operating costs. Dividend up for 2023.

London City has reported a net operating profit of \$169,631 for 2023. Helped by the elimination of litigation costs, the costs of operating the company have reverted to the normal cost levels of our public listed entity, except for a performance fee accrued in this year's accounts of \$136,000 (more on this later). Shareholders should bear in mind that the direct income flow from our strategic holdings is less than half the underlying profits retained by Fiducian and Excelsior – sums we expect to be reinvested positively in their businesses. The forthcoming dividend has been increased to 1.45 cents.

Management Agreement Update and Renewal proposed

London City on 16 November 2004 approved a fifteen year management agreement with Imperial Pacific Asset Management Pty Limited as from 1 July 2005. While this period has passed the agreement continues subject to a six month notice period. This agreement has broad terms and provided flexibility that met both company's practical and conscience aspirations. The application of a performance fee, for instance, did not require the recovery of past losses before payment – a highly questionable issue seen elsewhere. Neither London City nor Imperial Pacific accept that approach. Indeed, while London City had extraordinary growth in recent years an annual calculated performance fee concept was rejected. However, in 2023 it was applied (a) after all past losses were recovered and (b) the out-performance over 2021 – 2023 was moderated to a fee level of \$136,675 to avoid a major one-off payout for 2022. Accordingly, the Management Agreement has been tidied up and a ten year period proposed. On this basis it will be presented to shareholders for their approval at the Annual General Meeting.

Balance Sheet - Portfolio Values show strategic shareholding strength - Net Assets 56.3 cents

The reduction in share price of **Fiducian Group (7% owned)** over the year of some 20% was offset by the 23% appreciation in the price of **Excelsior Capital (8% owned)**. At 30 June London City's net assets stood at \$17.5 million, or 56.3 Cents a share. The Portfolio values have improved since year end by around \$1.0 million.

Outlook

London City is nearly fully invested and now receiving good dividend income. The main operations of both key investments (financial services / electrical products) reflect strong management focus on their respective sectors. Large profit retention in both cases should add to future growth. Optimism in stock-markets would be welcome but not expected at the moment.

Yours,

Peter E J Murray
Chairman of Directors

20 September 2023

For personal use only

Statutory Directors' Report for the year ended 30 June 2023

Your Directors present herewith their report on the Company for the financial year ended 30 June 2023.

Principal Activities

The principal activities of the company during the year consisted of investment in Australian equities, predominantly those reflecting long term strategic advantage. From time to time the company will hold funds on deposit or with short term securities with trading banks.

The Financial Year 2022-23 saw worldwide interest rate rises and London City's Net Worth fall to \$17.5 million – still a near historical high. The lower numbers came as a result of the stock-markets reduction in the value of financial services corporations, such as Fiducian Group Limited, 6.7% owned. On the other hand, London City's shareholding in Excelsior Capital continued to increase in value with share purchases and year-to-year share price rises of 25% in that company. Both companies have reported their 2023 results. Fiducian has reported a minor profit drop and a much higher final dividend payout. Excelsior's net profit was up 25%, an excellent result.

The positive market value of London City's investment portfolio has allowed the financial reports to again report a future income tax benefit of \$2,960,000. Net Profit after tax was down from the high levels of 2022 to \$170,000. This reflected improved dividend income with some further reduction from a modest investment portfolio performance fee payable. Dividend payout during the year was increased and a Dividend Re-investment Plan offered to shareholders

Strategic Positioning

London City is a long term strategic holding company investing in entities that have significant and unique market shares and offer inherent growth. London City is risk averse, avoids borrowings and supports quality management in its holdings. It seeks some control over its destiny and is prepared to be assertive when required.

London City seeks to provide shareholders with attractive investment returns over the medium to longer terms by enhancing capital growth and pay dividends that over time grow faster than the rate of inflation.

Directors and Officers

The Directors and Officers of the Company in office at any time of the year are as follows:

Peter E.J. Murray – Chairman of Directors

Special Responsibility: Chief Operating Officer

Chartered Accountant, Bachelor of Arts, Affil Member of Stockbrokers and Securities Industry Assn. .

Mr Murray has spent over 40 years involved in company management, corporate finance and ASX listed company matters. He has been a senior executive in merchant banking and stockbroking at Director level.

Experienced in corporate financial matters, mergers, fund raisings and general management. Chairman of Imperial Pacific Ltd since 1980. Past Chairman of Directors of Camelot Resources NL and CCI Holdings Ltd. Director of Delany Foundation Limited. [Director of London City since 1986].

David Butel – Independent Non Executive Director

Special Responsibility: Chair of Audit, Compliance and Risk Management Committee.

Master of Business Administration, Bachelor of Science, Diploma of Business Std, Diploma of Education.

Mr Butel has had over 30 years of active executive involvement at senior levels in the Australian resources and services sector in the vital fields of Testing, Inspection and Certification. In recent years his participation has been through ACIRL Pty Limited, CCI Holdings Limited and the international Bureau Veritas organisation as Senior Vice President Commodities – Pacific Zone. He is experienced in high level business management, acquisitions and international resource services. [Director of Imperial Pacific and London City since February 2016]

For personal use only

Statutory Directors Report (Cont'd)

Directors and Officers (Cont'd)

Louis J Joseph – Independent Non-Executive Director [Appointed 28 September 2022 and Company Secretary since 2016]

Special Responsibility: Chair of Remuneration Committee.

Bachelor of Commerce, Member Turnaround Management Association of Australia.

Mr Joseph has been involved directly in businesses in both the commercial sector and in the securities industry. His experience has been developed within Australia and in overseas locations, including Asia. His expertise includes small business management, financial markets and securities analysis.

Neil Schafer – Independent Non Executive Director [Retired 25 October 2022]

Mr Schaffer retired from the Board on 25 October 2022 after three years in that role. Neil chaired Committees and provided informative input on investment aspirations. Directors record their appreciation.

Particulars of Directors Interests in Shares in the Company are:

| | Ordinary Shares |
|------------|------------------------|
| PEJ Murray | 14,650,626 |
| DG Butel | 12,696,161 |
| LJ Joseph | 12,653,885 |

(These include 12,575,227 Ordinary Shares held by Imperial Pacific Limited.)

In accordance with the Constitution, Mr. D.G. Butel retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

During the financial year the following formal meetings were held:

| | Board Meetings | | Audit, Compliance and Risk Committee | | Remuneration Committee | |
|---------------|---------------------------|------------------------|---|------------------------|-------------------------------|------------------------|
| | Eligible to attend | Number Attended | Eligible to attend | Number Attended | Eligible to attend | Number Attended |
| P.E.J. Murray | 6 | 6 | - | 2* | - | 2* |
| D.G. Butel | 6 | 6 | 2 | 1 | 2 | 2 |
| L.J. Joseph | 3 | 3 | 1 | 1 | 1 | 1 |
| N.E. Schafer | 2 | 2 | 1 | 1 | 1 | 1 |

* By invitation

Remuneration Report

The company does not have any formal employees and operates through its Board and a shareholder approved management agreement with Imperial Pacific Asset Management Pty Limited. The company has a Remuneration Committee which is responsible for remuneration policies and monitors the remuneration of Directors and officeholders with market conditions. Details of the emoluments of the Directors are set out in Note 17 of the financial statements and are also shown below:

| | Fees | Super Contributions | Total |
|------------------|-------------|----------------------------|--------------|
| Mr P.E.J. Murray | \$35,000 | \$3,675 | \$38,675 |
| Mr D.G. Butel | \$40,000 | \$4,200 | \$44,200 |
| Mr LJ Joseph | \$20,150 | \$2,115 | \$22,265 |
| Mr. N.E. Schafer | \$9,616 | \$1,010 | \$10,626 |

Statutory Directors Report (Cont'd)

Results and Dividend Status

London City reports a net profit for the year of \$169,631. This reflects growth in fully franked dividend income that surpasses operating costs and, in this year, a performance fee payable in regard to the quality gains in the investment portfolio in recent times. Net asset values at 30 June 2023 closed at \$17.5 million, or 56.3 cents per share, after the payment of 1.40 cents in a fully franked dividend in October 2022. Directors recommend the payment of a fully franked dividend of 1.45 cents a share for 2023. The Dividend Reinvestment Plan (DRP) will again apply to this dividend.

Objectives, Achievements and Review of Operations

The prime objectives during the year were to protect and enhance London City's long term aspirations as a strategic holding company in a year of worldwide rising interest rates. Overall, the portfolio values fell by \$1.0 million in line with the stock-market's lower ratings for financial services companies – thus impacting on Fiducian Group Limited. However, good growth was reported in the Excelsior Capital shareholding but not enough to offset the Fiducian situation. Both prices have improved since year end.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs other than those mentioned elsewhere in this Annual Report.

Likely developments and expected results of operations

London City intends to focus on its existing investments. It will continue to search for equity investments into companies that exhibit high market shares, inherent growth, managements with owner mentality and ones that represent good value. London City favours companies where it may have positive influence. The current two main shareholdings are monitored closely and attendance will take place at their Annual General Meetings. The board / shareholder status at Excelsior is not entirely satisfactory and is being reviewed closely. Otherwise, Directors are not aware of any major development likely to have a significant effect upon the operations of the company.

Matters subsequent to the end of the financial year

Since balance date the net worth of the company has improved by an estimated \$1.0 million. Furthermore, Directors propose the payment in October of a fully franked dividend of 1.45 cents per share. This sum has not been provided for in the financial statements.

Environmental regulation

The Company is not subject to material environmental regulations under any Commonwealth, State or Territory Law.

Other Information

The Directors are not aware of any significant change in the state of affairs of the group that occurred during the financial year under review not otherwise disclosed in this report and the accounts. In the opinion of the Directors likely developments in the operations of the company known at the date of this report have been covered generally within the Annual Report.

Proceedings in respect of the company

The Company is not involved in active legal proceedings in any court..

Risk and Compliance

The Board of Directors has in place an Audit, Compliance and Risk Management Committee to assist its deliberations in respect of these issues. The ACRM Committee meets regularly and considers, amongst other things, the audit arrangements and internal control processes of the company. Board meetings consider issues raised by the ACRM Committee and formal management reports on the compliance by the company with its key obligations. The Board also notes the regulatory compliance obligations of its portfolio management provider, Imperial Pacific Asset Management Pty Limited.

For personal use only

Statutory Directors Report (Cont'd)

Risk and Compliance (Cont'd)

The Directors have received and considered the Section 295A certification from the senior officeholder responsible for meeting the company's financial, operational and compliance requirements.

Indemnification of Officers

The company has not, during or since the end of the financial year in respect of any person who is or has been an officer or auditor of the company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred by an officer, including costs and expenses in successfully defending legal proceedings.

Auditor

The auditor continues in office in accordance with Section 327 of the Corporations Act 2001.

Non-audit services.

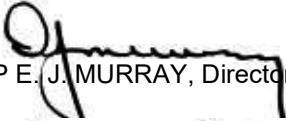
Details of the non-audit services provided by the auditor are set out at Note 18 of the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means the auditor independence was not compromised.

Auditor's Independence Declaration

A copy of the auditor's declaration under Section 307C in relation to the audit for the financial year is provided later in this report.

Signed in accordance with a resolution of the Directors. Dated at Sydney this 20th day of September 2023.

On Behalf of the Board,



P. E. J. MURRAY, Director



D. G. BUTEL, Director

D. G. BUTEL, Director

For personal use only

London City Equities Limited



Corporate Governance Statement – 30 June 2023

London City has noted the “principles and recommendations” of the ASX Corporate Governance Council. The Board of London City believes it carries out the broad thrust of the issues in a proper and pragmatic way for a small company such as London City in the strategic holding company business. In some cases it has not adopted recommendations. The corporate governance policies of the company and the departures from the recommendations are discussed below.

This Corporate Governance Report has been approved by the Board and is current at 20 September 2023.

Principle 1 Lay solid foundations for management and oversight

London City has a Board Charter which establishes the functions reserved to the Board and to senior management. A copy of the Board Charter is set out in the rear pages of this Annual Report. London City operates its business through its Board of Directors and its Chief Operating Officer in conjunction with its portfolio management arrangements with Imperial Pacific Asset Management Pty Limited, which has managed and administered the portfolio since 1 July 2005. The company secretary is directly accountable to the Board.

London City supports the principle of diversity of skills, background and gender in relation to board membership, management composure and commercial activity. It has incorporated into its Board Charter a policy in this regard. While such diversity is considered when the opportunity arises, the Board recognises that a company of the size of London City, conducting investment activities with three directors and without formal employees, has limited scope for making major changes. The Board considers production of numerical statistics is not meaningful in its case.

The Board sets and monitors strategic business plans and shorter term operating challenges. The Board meets at least once a quarter. London City has a formal policy in relation to Core Business Processes as well as formal policies on investment processes and approvals. Written agreements of appointment are in place with ongoing Directors. The operations of the company and delegation of duties are inherent in a public listed organisation with investments that may impact on other companies.

Principle 2 Structure the Board to be effective and to add value

The Board of Directors is structured to add long term value to London City. The Directors hold a variety of professional, securities market and corporate skills, operating in a climate where cost effectiveness is a key issue and shareholding interests encourage active participation. There are three Directors, of whom two are regarded for corporate governance purposes as independent because of their minor shareholdings in the associated group and their professionalism. Directors believe it is not practicable, nor cost-effective presently, for London City as a small strategic holding company to have an “independent” (as defined by the governance principles) Chairman. Indeed the Directors believe it is positive that major shareholdings are held by Directors. London City structure is such that it operates without a Chief Executive Officer. London City’s policy allows Directors, subject to Board approval, to take independent professional advice at its expense.

Directors also point out that they regard a formal Board nomination committee as not being appropriate for a company like London City. This task is undertaken by the Board as a whole as and when circumstances dictate. The criteria set for membership of the Board is to ensure that there exists a sufficient mix of skills and experience for a company of the nature of London City to add value and enhance shareholders’ wealth. These include Financial and Commercial acumen, Executive Leadership, Strategy, Investment, Governance, Tertiary or equiv. qualification, Merger and Acquisitions, Taxation, Risk Management and Public Listed Company experience.

The Directors also believe they are very open and transparent in disclosing their plans, aspirations and financial results to the shareholders. They believe the annual shareholder meetings provide a good opportunity for shareholders to evaluate their performance. Directors are subject to re-election every three years. The Board has a policy of operating a tight structure, but appoints external parties experienced in specific sectors from time to time to provide the Board with expert advice or undertake projects.

For personal use only

London City Equities Limited



Corporate Governance (Continued)

Principle 3 *Instill a culture of acting lawfully, ethically and responsibly*

The Board is committed to ensuring that the group's affairs are conducted in a judicious and ethical manner above and beyond legal and regulatory obligations. To meet these objectives London City has in place a formal Code of Conduct Policy. It also has a Securities Trading Policy for dealing in the company's securities in addition to complying with legislative obligations. A copy is on the ASX Announcements Platform – 29 December 2010. This Trading Policy includes the prohibition of officeholders from dealing in London City securities between the end of accounting periods and the release of results without the written consent of the Chair. Investments on the Embargo List are prohibited without the approval of the Board. A summary of terms of the Code of Conduct follows:

London City Equities Limited ("London City") and its shareholders expect that each Director, member of staff and / or related personnel should pursue exemplary conduct in respect of ethics, roles and responsibilities of their office. The Group's directors and employees should conform with high community standards of corporate and individual behaviour, in particular:

PERSONAL BEHAVIOUR AND ACCOUNTABILITY

- a. Role and statutory responsibilities as an officer of the corporation
- b. Awareness of social responsibilities
- c. Obligations to all corporate stakeholders
- d. Honesty and fairness in dealings
- e. Pursuit of the best interests of the corporation
- f. Adherence to Group policies and practices
- g. Continuing assessment of corporate opportunity and risk
- h. Undertaking training and being informed on current commercial and business matters.

SECURITY AND CONFIDENTIALITY

- a. Boardroom confidentiality
- b. Security of corporate information
- c. Misuse of corporate information

MANAGEMENT OF PRIVATE INTERESTS

- a. Declaration of private interests including any interest in Group contracts
- b. Gratuities, gifts, and other benefits related to corporate office
- c. Potential and real conflicts of interest

COSTS TO THE CORPORATION

- a. Expenses incurred on corporation business
- b. Fringe benefits and allowances including leave and retirement allowances
- c. Sundry claimable expenses

SANCTIONS

Failure to observe high standards in relation to the foregoing will constitute grounds on which the Board of London City Equities Limited may by resolution of the directors institute such disciplinary or remedial action as it deems appropriate. This may include dismissal and/or reporting to relevant authorities.

Principle 4 *Safeguard the integrity of financial reporting*

The Board has in place an Audit, Compliance and Risk Management Committee which comprises two non-executive Directors (Mr Butel as Chairman and Mr Joseph as the other party). Both are regarded as independent persons. With a Board incorporating only three personnel London City believes two members, rather than three, are appropriate for an entity of its nature. London City has further assurances in regard to financial reporting integrity because of the involvement of external auditors and the manager of the company's portfolio, Imperial Pacific Asset Management, which has extensive ASIC obligations. Operating office-holders are professionally qualified in financial reporting matters. The Board has received positive written Section 295A opinions from the Chief Operating Officer and Chief Financial Officer equivalents and confirmation that such has been formed on an effective sound system of risk management and internal control in accord with the company's characteristics. In relation to audit partner rotation of the company's external auditors, the Chief Operating Officer monitors the situation in conjunction with the audit firm. The ACRM Committee has a formal charter. A summary is set out in the rear pages of this Annual Report.

For personal use only

Corporate Governance (Continued)

Principle 5 Make timely and balanced disclosures

The Board aims to ensure timely, balanced and continuous disclosure to the market of all material matters concerning London City in accordance with the ASX continuous disclosure regime and appropriate corporate transparency. To carry out this obligation effectively the Board is sensitive to the requirements of an informed market and it has in place a Communications Policy which encompasses a continuous disclosure policy. It seeks to keep its shareholders informed through reports to the Australian Securities Exchange, half and full-year profit disclosures, annual reports and material shareholder information announcements.

While the Board is ultimately responsible for this task, the Chief Operating Officer carries the immediate administrative obligation for meeting communications obligations and shareholder transparency. A summary of the Communications Policy follows:

The Board of London City Equities Limited ("London City") firmly believes in providing quality communications to its shareholders and other stakeholders. This includes meeting the company's obligations to the Australian Securities Exchange ("ASX") in relation to Continuous Disclosure Obligations. London City aspires to over-deliver, rather than under-deliver information to its stakeholders. In view of this approach, London City meets the ASX Corporate Governance Principle No 5. London City seeks to provide to its stakeholders the highest levels of communication standards by adopting the following focus:

- Shareholders are the owners of the company and are entitled to the maximum of information.
- The company will provide all regulatory documentation such as Annual Reports and other letters of advice on a consistent and timely basis
- London City will maintain a web site that provides information on its activities for external consumption.
- Communications will be set out in a clear way, be honest, be factual and endeavour to answer all likely queries that may arise.
- London City will not employ financial "spin doctors" or embellish a story.
- Annual Reports will be explanatory and will be mailed as soon as possible and sent to holders in a hard copy.
- Shareholders are encouraged to telephone management to discuss issues and subject to confidentiality issues, full explanations will be forthcoming.
- London City will announce all important and material items as soon as practicable. Where announcements may impact on other organisations, London City may advise that organisation on a confidential basis beforehand..

The Board of London City is primarily responsible for communicating matters to stakeholders. Management personnel will provide the support for the preparation and distribution of announcements. Mr Peter EJ Murray is the senior executive responsible for London City meeting its Continuous Disclosure obligations to the Australian Securities Exchange and any ASIC required communications.

Principle 6 Respect the rights of security holders

London City, as reported earlier, has a communications policy in place. This recognises the importance of effective communications with shareholders and other parties. London City has an informative web-site that assists shareholders in making decisions on their rights and contacting the company electronically. Furthermore, the shareholders have other formal and informal rights provided by the company's Constitution, regulatory bodies and proper public company behaviour. These rights include their entitlement to financial statements, attendance at shareholder meetings, participation by voting on the election of directors at the Annual General Meeting and on other important issues. The auditor is invited to attend the Annual General Meeting, however the board notes that auditor is professionally restricted from providing detailed financial information and limited to discussing audit process. Shareholder meetings are conducted in an open forum with wide discussion encouraged by the Chairman.

Principle 7 Recognise and manage risk

London City has established policies for the recognition, oversight and management of material business risks. It does not consider it has material exposure to economic, environmental and social sustainability issues. Given the volatility of equity markets and economic conditions, especially in recent times, London City regards risk management as a very important issue. It does not have a formal internal audit function but has in place an Audit, Compliance and Risk Management Committee. Risk recognition, oversight and management issues are carried out by senior personnel in conjunction with the Board, the Committee and in some cases, external professionals. The Audit, Compliance and Risk Management Committee's framework was prior to the completion of the Annual Report.

Corporate Governance (Continued)

While the company's internal policies are considerable, the Board points out that, as a strategic holding company investing in other companies, it can be difficult to monitor the behaviour of those entities, especially when weak regulatory bodies do not examine or enforce corporate law. The Board has received positive written Section 295A assurances from the Chief Operating Officer and Chief Financial Officer equivalents. A summary of London City's policies on risk recognition, oversight and management follows:

The Board of London City Equities Limited ("London City") believes in competent risk recognition, oversight and management. It recognises that as a strategic holding company (where it primarily invests in other organisations) there is some danger where that organisation does not provide proper business or financial reporting disclosures or does not meet competent risk management practices. For these reasons London City must continue to be vigilant in these procedures.

London City seeks, as far as practicable for an organisation in strategic investment in other companies, to undertake competent levels of risk management. These relate to its internal and external matters:

Internal Matters (Own resources)

- London City seeks to have a comfortable asset base in which it has no formal gearing.
- Investments must be selected carefully and generally monitored for some time before any shares are purchased.
- London City must concentrate on investment opportunities where it can acquire a reasonably significant equity stake (eg 10%-20%) in a company that can be understood, has a leading position in its market, has good management and represents good investment value with attractive IRRs. (The policy of a leading US investor).
- London City must be available to work in with investee companies.
- London City must remain cost conscious.
- Surplus monies must be placed only with its trading bankers,
- Monies on Deposit and investments must take account of external advice when necessary.
- Good internal controls to be maintained, disaster recovery assessed and regulatory compliance pursued.

Other Matters (External Factors)

- London City must monitor economic, stock-market, industrial sector conditions and maintain close contact with existing investee companies
- London City must have the potential (where events prove unsatisfactory) to become active supporters of the investee company either through direct Board representation or by arms-length support.
- London City must maintain close contacts in various industries of interest.
- London City may seek Board representation with certain investee entities.

The Board of London City is primarily responsible for risk recognition, oversight and management. The Board of London City is assisted in its deliberations by the Audit, Compliance and Risk Management Committee (ACRM). Both the Board and the ACRM Committee are assisted by the management of London City and its portfolio management service provider Imperial Pacific Asset Management Pty Limited. Risk Management issues must be discussed regularly. All Board meetings must be provided with details of current investments, targeted investments and funds on deposit

Principle 8 Remunerate fairly and responsibly

London City has a Remuneration Committee in place. The Remuneration Committee is responsible for assessing appropriate remuneration and payment for Directors as well as for other office holders and the portfolio management service provider. The Remuneration Committee comprises Mr Joseph (Chairman) and Mr Butel. Both are regarded as independent under the ASX definition. Details of their attendance at committee meetings are set out elsewhere in this Annual Report. Ultimately shareholders approve director's fees and in 2007 they approved a maximum payout of \$125,000 per annum. Current fees are below this level and reflect the company's nature. Shareholders in London City on 19 November 2004 voted and approved a management agreement in which the portfolio of London City would be managed by Imperial Pacific Asset Management Pty Limited.

Except for compulsory legislative obligations London City has no scheme for retirement benefits for non-executive directors. Furthermore, London City has no equity based remuneration scheme and has no requirement for policies in this regard. A summary of the Remuneration Committee Charter is set out in the rear pages of this Annual Report.

London City Equities Limited

ABN 59 003 200 664



Income Statement for the year ended 30 June 2023

| | | 2023 | 2022 |
|--|--------------|-----------------------|-------------------------|
| | <i>Notes</i> | \$ | \$ |
| Revenue from ordinary activities | 3 | 1,272,651 | 2,413,377 |
| Other expenses from ordinary activities | | | |
| Management fees | 4 | (327,312) | (208,363) |
| Other Operating Expenses | 4 | (225,983) | (354,171) |
| | | <u>(553,295)</u> | <u>(562,534)</u> |
| Cost of Trading Investments sold | 4 | (549,725) | (38,492) |
| Profit (Loss) from ordinary activities before tax | | 169,631 | 1,812,351 |
| Income tax | 5 | - | - |
| Profit (Loss) for Year | | <u>169,631</u> | <u>1,812,351</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) | 25 | 0.55 | 5.94 |
|--|----|------|------|

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 2023

| | <i>Notes</i> | 2023 \$ | 2022 \$ |
|---|--------------|--------------------|------------------|
| Profit (Loss) for Year | | 169,631 | 1,812,351 |
| Other Comprehensive Income (Expense) | | | |
| Items that will not be recycled through the Income Statement: | | | |
| Net Realised and Unrealised Gain (Loss) for the period on securities in the Investment Portfolio: | 14 | (1,618,655) | 1,275,931 |
| Total Other Comprehensive Income (Expense) | | (1,618,655) | 1,275,931 |
| Total Comprehensive Income (Expense) for the year | | (1,449,024) | 3,088,282 |

The accompanying notes form part of these financial statements.

London City Equities Limited

ABN 59 003 200 664



Balance Sheet as at 30 June 2023

| | Notes | 2023 \$ | 2022 \$ |
|---|--------|-------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | 6 | 17,587 | 1,551,842 |
| Short Term Securities | 7 | 275,774 | 71,917 |
| Trade and other receivables | 7 | 64,226 | 63,734 |
| Total current assets | | 357,587 | 1,687,493 |
| Non-current assets | | | |
| Investment Portfolio | 8 | 17,295,813 | 18,323,782 |
| Deferred Tax Assets | 9 | 2,960,000 | 2,960,000 |
| Total non-current assets | | 20,255,813 | 21,283,782 |
| Total assets | | 20,613,400 | 22,971,275 |
| Current liabilities | | | |
| Trade and other payables | 10 | 213,344 | 220,587 |
| Total current liabilities | | 213,344 | 220,587 |
| Non-current liabilities | | | |
| Deferred Tax Liability - Investment Portfolio | 11 | 2,934,000 | 3,629,000 |
| | | 2,934,000 | 3,629,000 |
| Total liabilities | | 3,147,344 | 3,849,587 |
| Net assets | | 17,466,056 | 19,121,688 |
| Equity | | | |
| Share Capital | 12 | 7,948,002 | 7,725,485 |
| Realised Capital Gains Reserve | 14 (a) | (6,732,895) | (6,732,895) |
| Unrealised Revaluation Reserve | 14 (b) | 9,538,168 | 11,156,823 |
| Retained Profits | 14 (c) | 6,712,781 | 6,972,275 |
| Total equity | | 17,466,056 | 19,121,688 |

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 2023

| | Notes | 2023 \$ | 2022 \$ |
|---|-------|--------------------|-------------------|
| Total Equity at the beginning of the year | | 19,121,688 | 16,235,566 |
| Transactions with Equity holders in their capacity as equity holders: | | | |
| Contributions/(Decrease) in Equity, net of transaction costs: | 12 | 222,517 | 213,569 |
| Dividends paid: | 15 | (429,125) | (415,729) |
| Total transactions with Equity holders in their capacity as equity holders: | | (206,608) | (202,160) |
| Income and Expense for Year: | | | |
| Profit (Loss) for Year: | | 169,631 | 1,812,351 |
| Other Comprehensive Income (Expense) Items: | | | |
| Net Unrealised Gain (Loss) for the period for stocks held on 30 June | 14 | (1,618,655) | 1,275,931 |
| Net Realised Gain (Loss) for the period for stocks held on 30 June | 14 | - | - |
| Total other comprehensive income (including realised and unrealised gains and losses) for the year | | (1,618,655) | 1,275,931 |
| Total Equity at the end of the year | | 17,466,056 | 19,121,688 |

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 2023

| | Notes | 2023 \$ | 2022 \$ |
|--|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Investment Income | | | |
| Dividends Received | | 705,956 | 659,052 |
| Interest Received | | - | - |
| Proceeds - Sale of Trading Securities | | 555,288 | |
| Outlays - Short Term Trading Securities | | (538,262) | |
| Outlays - Short Term Trading Securities held | | (275,774) | |
| Payments to suppliers and personnel (inclusive of goods and services tax) | | (495,212) | (488,291) |
| Other Income | | - | 1,754,025 |
| Net cash inflow (outflow) from operating activities | 24 | (48,004) | 1,924,786 |
| Cash flows from investing activities | | | |
| Payments for investments | | (1,296,859) | (1,473,518) |
| Proceeds from sale of investment | | - | - |
| Net cash inflow (outflow) from investing activities | | (1,296,859) | (1,473,518) |
| Cash flows from financing activities | | | |
| Increase in Issued Capital | | 222,516 | 213,569 |
| Related Corporations | | 17,217 | (49,264) |
| Dividends paid | | (429,125) | (415,730) |
| Net cash inflow (outflow) from financing activities | | (189,392) | (251,425) |
| Net increase (decrease) in cash held | | (1,534,255) | 199,843 |
| Cash at beginning of the financial year | | 1,551,842 | 1,351,999 |
| Cash at end of the financial year | 24 | 17,587 | 1,551,842 |

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 endeavoured to adopt "plain English" where possible to assist in information transparency.

The following is a summary of the significant accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless stated otherwise.

Basis of Accounting

London City Equities Limited is a listed public company incorporated and domiciled in Australia. It is a free standing company and its accounts are presented as such. The financial statements are prepared using the valuation methods described below for holdings of securities. All other items have been treated in accordance with historical cost convention.

In the application of the Company's accounting policies described above, the Directors are required to evaluate estimates and judgments that may be incorporated into the financial statements. Estimates and associated assumptions are based on historical experience and assume a reasonable expectation of future events. Actual results may differ from these estimates.

There are no estimates or judgments that have a material impact on the Company's financial results for the year ended 30 June 2023. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgments are required in respect to their valuation. Revisions to accounting policies are recognised in the period in which the estimate is revised.

(a) Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to the unused tax losses. The rate of 30% has been adopted for these statements.

Deferred tax assets and liabilities are offset as all current and deferred taxes relate to the Australian Taxation Office and can legally be settled on a net basis. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those differences and losses.

A tax provision is made for the unrealised gain or loss on Trading Portfolio securities valued at market value through the Income Statement. A Tax rate of 30% has been adopted.

Where non-current Investment Portfolio assets are adjusted for unrealised gains or losses at balance date in the Unrealised Revaluation Reserve an assessed deferred tax liability or asset is created to reflect the applicable tax, even though there may be no intention to dispose of those holdings. The tax sum is applied to the Unrealised Revaluation Reserve on one hand and the deferred 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.

For personal use only

London City Equities Limited

Notes to the financial statements - 30 June 2023

Note 1: Summary of significant accounting policies (Cont'd)



(c) Non-Current Assets

The carrying amounts of all non-current assets other than investments are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts, the relevant cash flows have been discounted to their present value.

(d) Derivatives

To a large extent the company may be exposed to fluctuations in interest rates with its activities. It is not the policy of the company to use derivative financial instruments. The company does not hedge its exposure to interest rates.

(e) Financial Risk issues

The economic entity has in place risk management controls supervised by the Board and the Audit, Compliance and Risk Management Committee. Risk issues are explained further in Note 16 of the financial statements.

(f) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from the rendering of a service is recognised upon meeting the relevant performance obligations.

(h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable where invoiced. The net amount of GST recoverable from, or payable to the ATO is included with other payables in the balance sheet. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are reported as operating cash flows.

(i) Leases

A lessee is required to recognise, the commencement date of the lease, the present value of the remaining non-cancellable lease payments as a lease liability on the statement of financial position with a corresponding right-of-us asset. The unwinding of the financial charge on the lease liability includes depreciation and an interest borrowing rate expense. The Company has assessed that it is not a party to any arrangements that are required to be accounted for as Leases under AASB 16.

(j) New Standards and interpretations not yet adopted.

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The reported results and position of the Company will not change on adoption of these pronouncements as they do not result in any changes to the Company's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The Company does not intend to adopt any of these pronouncements before their effective date.

(k) Financial Statements Approval

The financial statements were authorised for issue by the Board of Directors on 16 August 2023.

For personal use only



Note 2. Segmental information

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

| 2023 | Equity Investment | Other | Total |
|---|----------------------|-----------|-------------|
| Revenue | \$ | \$ | \$ |
| Investment /other revenue | 1,272,651 | - | 1,272,651 |
| Segment result | | | |
| Profit (loss) after tax | 374,791 | (205,160) | 169,631 |
| Segment assets | 20,471,587 | 141,813 | 20,613,400 |
| Segment liabilities | (3,101,654) | (45,690) | (3,147,344) |
| Net cash inflow from operating activities | 100,560 | (148,564) | (48,004) |

| 2022 | Equity Investment | Other | Total |
|---|----------------------|-----------|-------------|
| Revenue | \$ | \$ | \$ |
| Investment /other revenue | 2,413,377 | - | 2,413,377 |
| Segment result | | | |
| Profit (loss) after tax | 2,032,937 | (220,586) | 1,812,351 |
| Segment assets | 22,847,235 | 124,040 | 22,971,275 |
| Segment liabilities | (3,739,293) | (110,294) | (3,849,587) |
| Net cash inflow from operating activities | 2,259,090 | (334,304) | 1,924,786 |

Note 3. Revenue

From continuing operations

| | 2023 | 2022 |
|--------------------------------|------------------|------------------|
| | \$ | \$ |
| Interest - Other Corporations | - | - |
| Dividends | 705,956 | 659,352 |
| Other Income | - | 7,500 |
| Confidential Sum - Net | | 1,706,285 |
| Sales - Trading investments | 566,695 | 40,240 |
| Total Operating Revenue | 1,272,651 | 2,413,377 |

Note 4. Profit from ordinary activities

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

Expenses

| | | |
|---|----------------|----------------|
| Auditors Fees (Note 18) | 16,800 | 17,700 |
| Directors fees (Note 17) | 104,766 | 90,000 |
| Superannuation - Directors (Note 17) | 14,728 | 12,000 |
| Licence fee payable regarding premises | 23,639 | 26,485 |
| Management fees - associated company | | |
| - Basic management fee | 190,637 | 208,363 |
| - Performance Fee | 136,675 | - |
| - Basic management fee (GST lost) | 4,902 | 5,209 |
| Legal and associated Litigation Costs | - | 106,367 |
| Unrealised Diminution in value - trading securities | 6,301 | - |
| Other Operating Expenses | 54,847 | 96,410 |
| Total Operating Expenses | 553,295 | 562,534 |

| | | |
|--|----------------|------------------|
| Cost of Trading and other Investments sold | (549,725) | (38,492) |
| Operating Profit before Tax | 169,631 | 1,812,351 |

(b) Individually significant items included above

| | | |
|--|---------|-----------|
| Income -Confidential Sum - Net | | 1,706,285 |
| Costs - Management fees - associated company | 327,312 | 208,363 |
| Costs - Litigation Expenses re Ernst & Young | - | 106,367 |

For personal use only

London City Equities Limited

Notes to the financial statements - 30 June 2023 (Cont'd)



Note 5. Income Tax Expense

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

| | 2023 | 2022 |
|--------------|----------|----------|
| Current Tax | - | - |
| Deferred Tax | - | - |
| | <u>-</u> | <u>-</u> |

(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 | 169,631 | 1,812,351 |
| Income tax calculated at 30% | (50,889) | (543,705) |
| Less: Tax Effect of : | | |
| - Recoupment of prior year losses | - | 261,126 |
| - Net Dividend Franking Credit re dividends | 50,889 | 282,579 |
| - Future income tax benefits arising in prior years not previously brought to account | - | - |
| Income tax benefit (expense) | <u>-</u> | <u>-</u> |

(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

- 262,000

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

- -

Net Movement

- 262,000

(d) Deferred tax assets not recognised

No future income tax benefit has been brought to account in the accounts in respect of estimated tax losses of approximately \$3,000,000 in 2023 (2022 - \$1,000,000). Estimated tax losses are

| | | |
|----------------|-------------------|-------------------|
| Revenue Losses | 3,500,000 | 3,100,000 |
| Capital Losses | 9,000,000 | 7,100,000 |
| | <u>12,500,000</u> | <u>10,200,000</u> |

The tax 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.

It is noted that London City's present share portfolio holds substantial Unrealised Gains (Note 14).

Note 6. Current assets - Cash and cash equivalents

| | | |
|--------------------------|--------|-----------|
| Cash at Bank and on Hand | 17,587 | 1,551,842 |
|--------------------------|--------|-----------|

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

Note 7(a). Current assets - Trade and other receivables

| | | |
|--------------------------------------|---------------|---------------|
| Other debtors | 62,286 | 19,010 |
| Amounts due from Associated Entities | 1,940 | 44,724 |
| | <u>64,226</u> | <u>63,734</u> |

Note 7(b). Current assets - Short Term Securities

| | | |
|---|---------|--------|
| Listed Bank Hybrid Floating Rate securities | 275,774 | 71,917 |
|---|---------|--------|

For personal use only



Note 8. Non current assets - Investment Portfolio

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Listed investments | | |
| Listed securities of corporations at market value | 17,223,005 | 18,214,416 |
| Unlisted investments | | |
| Unlisted securities of corporations at market value | 72,808 | 109,366 |
| | <u>17,295,813</u> | <u>18,323,782</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:

| | | |
|---------------------------|------------------|------------------|
| Unrealised Capital Losses | 2,900,000 | 2,900,000 |
| Revenue Losses | 60,000 | 60,000 |
| | <u>2,960,000</u> | <u>2,960,000</u> |

Note 10. Current liabilities - Trade and Other Payables

| | | |
|---------------------------------------|----------------|----------------|
| Unsecured liabilities | | |
| Sundry Creditors | 91,380 | 219,730 |
| Amounts payable to associated company | 121,964 | 857 |
| | <u>213,344</u> | <u>220,587</u> |

Note 11. Non-current liabilities - Deferred Tax Liability

Deferred Tax Liabilities on Unrealised Gains in the Investment Portfolio

| | |
|------------------|------------------|
| 2,934,000 | 3,629,000 |
| <u>2,934,000</u> | <u>3,629,000</u> |

Note 12. Share Capital

(a) Issued capital

31,044,928 (2022: 30,651,093) fully paid ordinary shares

| | |
|-----------|-----------|
| 7,948,002 | 7,725,485 |
|-----------|-----------|

(b) Movement in ordinary share capital:

| | | |
|---|------------------|------------------|
| Balance at beginning of accounting period | 7,725,485 | 7,511,916 |
| Movements during year: | 222,517 | 213,569 |
| Balance at reporting date | <u>7,948,002</u> | <u>7,725,485</u> |

(c) Movement in ordinary share numbers:

| | Number | Number |
|---|-------------------|-------------------|
| Balance at beginning of accounting period | 30,651,093 | 30,234,799 |
| Movements 2022 - 2023: | 393,835 | 416,294 |
| Balance at reporting date | <u>31,044,928</u> | <u>30,651,093</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.

For personal use only



Note 14. Reserves and retained profits

| | 2023 | 2022 |
|---|--------------------|--------------------|
| (a) Realised Capital Gains Reserve | \$ | \$ |
| Balance - beginning of year | (6,732,895) | (6,732,895) |
| Gain (Loss) realised during year | | |
| Balance - year end | <u>(6,732,895)</u> | <u>(6,732,895)</u> |
| (b) Unrealised Revaluation Reserve | | |
| Balance - beginning of year | 11,156,823 | 9,880,892 |
| Reverse Unrealised - Prior Year | (12,095,823) | (10,557,892) |
| Reverse Applicable Tax - Prior Year | 3,629,000 | 3,167,000 |
| Increase in Unrealised Gains | 9,782,168 | 12,095,823 |
| Provision for Tax on Unrealised Gains | (2,934,000) | (3,629,000) |
| Less: Unrequired Provision due to past tax losses | | 200,000 |
| Balance - year end | <u>9,538,168</u> | <u>11,156,823</u> |
| (c) Retained Profits | | |
| Retained Profits at the start of the financial year | 6,972,275 | 5,575,653 |
| Net profit (loss) for the year | 169,631 | 1,812,351 |
| Dividends paid | (429,125) | (415,729) |
| Retained Profits at the end of the financial year | <u>6,712,781</u> | <u>6,972,275</u> |

(d) Nature and purpose of reserves

Realised Capital Gains Reserve

The Realised Capital Gains Reserve records realisation gains or losses from the sale of non-current assets. The reserves may be used for the distribution of bonus shares to shareholders and is available for the payment of cash dividends as permitted by law.

Unrealised Revaluation Reserve

The Unrealised Revaluation Reserve is used to record increments and decrements on the revaluation of non-current Investment Portfolio assets, as described in the accounting policies and adjusted to reflect the applicable deferred tax liability or asset. It is then reduced according to future tax benefits.

Note 15. Dividends

(a) Status of dividends

| | | | |
|--|-------------|------------------|------------------|
| Dividend paid - Fully Franked | 12 Oct 2022 | (429,125) | (415,729) |
| Total Dividends Paid | | <u>(429,125)</u> | <u>(415,729)</u> |
| Proposed fully franked dividends | | | |
| - 1.45 Cents per share (Ordinary Div.) | 14 Oct 2023 | 450,151 | (429,125) |

Note: The dividend recommended for October 2023 has not been accrued in the above accounts. A Dividend Reinvestment Plan will be in place at that time.

(b) Franking credits

Franking credit tax component available for dividends in future years

| | | |
|---|------------------|------------------|
| | 800,000 | 600,000 |
| Fully franked dividends possible at tax rate of 30% | <u>1,866,667</u> | <u>1,400,000</u> |

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).

| 2023 Allocation | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|----------------|----------------|----------------|--------------|
| Financial assets | \$ | \$ | \$ | \$ |
| Cash & cash equivalents | 17,587 | | | 17,587 |
| Short Term Securities | 275,774 | | | 275,774 |
| Receivables | | 64,226 | | 64,226 |
| Portfolio Investments | 17,295,813 | | | 17,295,813 |
| Financial liabilities | | | | |
| Other creditors | (213,344) | | | (213,344) |
| 2022 Allocation | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | \$ | \$ | \$ | \$ |
| Cash & cash equivalents | 1,551,842 | | | 1,551,842 |
| Receivables | | 63,734 | | 63,734 |
| Portfolio Investments | 18,395,699 | | | 18,395,699 |
| Financial liabilities | | | | |
| Other creditors | (220,587) | | | (220,587) |

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.

For personal use only



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.

| | ---- 2023 ---- | | ---- 2022 ---- | |
|----------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 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) | (17,305) | 17,305 | (18,396) | 18,396 |
| Impact on Equity (Pre tax) | 1,730,468 | (1,730,468) | 1,839,699 | (1,839,699) |

(a) (ii) Interest Rate Risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At balance date London City had a proportion of its assets held in interest-bearing bank accounts and 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.

| | ---- 2023 ---- | | ---- 2022 ---- | |
|----------------------------|---|---|---|---|
| | 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) | 176 | (176) | 15,363 | (15,363) |

(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.

Cash at bank and short-term bank deposits:

| | 2023 | 2022 |
|------|--------|-----------|
| AA - | 17,587 | 1,551,842 |

(b) (ii) Trade and sundry receivables

The credit risk of the company in relation to trade and sundry receivables is their carrying amounts. The sums are minor and relate mainly to accrued interest and prepayments. The risk is mitigated by internal monitoring.

(c) Liquidity Risk

This risk is that experienced by an entity when it has difficulties meeting its financial obligations. London City has no external formal borrowings. It manages liquidity carefully, recognising dividend inflow timing and maturity balances of term deposits and marketable securities. London City's Board and management actively reviews its liquidity position on a regular basis to ensure that the company can always meet its commitments, including investment programmes.

For personal use only



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: | 2023 | 2022 |
|------------------|-------------|-------------|
| Immediate | 17,587 | 1,551,842 |
| To 30 Days | 340,000 | 135,651 |
| 30 - 365 days | - | - |
| Longer Term | 17,295,813 | 18,323,782 |

(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: | 2023 | 2022 |
|------------------|-------------|-------------|
| To 30 Days | 213,344 | 220,587 |
| 90 - 120 days | - | - |
| Longer Term | - | - |

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 basic management charge for 2023 was \$190,637 (2022 - \$208,363) and the performance fee accrued was \$136,675 (2022 Nil).

(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 DG Butel | - Director - Non-Executive |
| Mr LJ Joseph | - Director - Non-Executive (from 28 September 2022) |
| Mr NE Schafer | - Director - Non-Executive (to 25 October 2022) |

(b) Directors' Remuneration:

| 2023 | Salary, Fees Commissions | Primary Super Contributions | Post Employment | Other (Equity Options Etc) | Total \$ |
|-----------------|-----------------------------|-----------------------------------|--------------------|-----------------------------------|----------------|
| Mr P E J Murray | 35,000 | 3,675 | - | - | 38,675 |
| Mr D G. Butel | 40,000 | 4,200 | - | - | 44,200 |
| Mr N E Schafer | 9,616 | 1,010 | - | - | 10,626 |
| Mr LJ Joseph | 20,150 | 2,115 | - | - | 22,265 |
| | 104,766 | 11,000 | - | - | 115,766 |

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

For personal use only



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

(c) Shareholdings

Number of Shares held by Directors and Specified Executives

| | Balance 01-Jul-22 | Received as Remuneration | Options Exercised | Net change * | Balance 30-Jun-23 |
|-----------------|----------------------|-----------------------------|----------------------|--------------|----------------------|
| Mr P E J Murray | 13,401,441 | - | - | 1,239,180 | 14,640,621 |
| Mr D G Butel | 12,251,802 | - | - | 434,354 | 12,686,156 |
| Mr LJ Joseph | 12,259,218 | - | - | 384,662 | 12,643,880 |

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

Note: Each holding includes 12,565,725 shares (2022 - 12,130,868 shares) held by Imperial Pacific Ltd.

(d) Remuneration Practices

1. The company has no executives.
2. The remuneration arrangements for directors are determined by the shareholders in general meeting. From time to time the Board may submit proposals to increase the fees, which are presently a maximum of \$125,000. The company has scope to remunerate Directors for special duties that may be requested on occasion.
3. There is a formal management agreement in place with Imperial Pacific Asset Management Pty Limited, a subsidiary of Imperial Pacific Limited. This was approved by shareholders on 16 November 2004 and provides for, inter alia, a term of 15 years from 1 July 2005 that continues until replaced. Fees are 1% of the portfolio value, together with possible performance fees of 15% of any gain achieved above the performance of the S&P ASX 300 Accum Index movement. The total basic fee payable during 2023 was \$190,637 (\$208,363 in 2022). In addition a performance fee of \$136,675 was accrued for 30 June 2023. This was payable due to the portfolio of the company outperforming the S&P ASX 300 Accumulated Index significantly. It was moderated to reflect a three year performance after the recovery of past losses.
4. Interests of Mr Murray were paid \$155,250 by Imperial Pacific Limited during 2023.
5. The company has a Remuneration Committee in operation.

Note 18. Auditor's remuneration

| | 2023 | 2022 |
|---|---------------|---------------|
| Remuneration for audit review of the financial reports of the parent entity or any entity in the consolidated entity. | \$ | \$ |
| Cutcher & Neale - Assurance services | 13,300 | 15,200 |
| | <u>13,300</u> | <u>15,200</u> |
| Remuneration for other services | | |
| Cutcher & Neale - Other compliance services | 3,500 | 2,500 |
| | <u>3,500</u> | <u>2,500</u> |
| | <u>16,800</u> | <u>17,700</u> |

Note. London City's Audit, Compliance and Risk Management Committee oversees the relationship with the Auditors, including reviewing the scope of the audit and the proposed fee.

Note 19. Contingent liabilities

Directors report that there are minor bank guarantee arrangements regarding office rentals. Otherwise, the Directors of London City are not aware of any contingent liabilities that may impact on the company.

For personal use only



Note 20. Capital and Leasing commitments

| | 2023 | 2022 |
|---|--------|--------|
| (a) Capital Expenditure Commitments | \$ | \$ |
| There are no material capital commitments outstanding at year end. | 0 | 0 |
| (b) Licence Fee Arrangements - Premises | | |
| Arrangement in relation to use of premises at the reporting date but not recognised as liabilities, payable | | |
| Not later than one year | 24,665 | 23,716 |
| Between 1 & 2 years | 23,436 | 24,665 |
| Later than 2 years but not later than 5 years | | 23,436 |
| | 48,101 | 71,817 |

These arrangements represent a premises use licence.

Note 21. Related parties

Directors

The names of persons who were Directors of London City Equities Limited at any time during the financial year were Mr P.E.J.Murray, Mr D.G.Butel, Mr N.E.Schafer and Mr L.J.Joseph. Each of these parties were directors of associated company, Imperial Pacific Limited and its group companies during the year, 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.:

| | 2023 | 2022 |
|---|-----------|-----------|
| Associated Entity - Imperial Pacific Limited Group | | |
| - Management Fee Payable (Basic) | (190,637) | (208,363) |
| - Management Fee Payable (Performance) | (136,675) | - |
| Amounts payable at balance date (to) by Imperial Pacific Limited Group | (120,024) | 43,507 |
| Purchase of Excelsior Capital Limited shares on 3 May 2023 at market value at the time. | (157,300) | - |

Note 22. 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 6.7% of the equity capital of Fiducian Group Limited, a financial services company and 8.0% of Excelsior Capital Limited, predominantly an electrical materials supplier to industry. Accordingly, London City has some dependency on the financial services and electrical product supply sectors. With funds on deposit and short term securities the company's revenue has some dependence on interest rate levels.

Note 23. Events occurring after balance date

An Ordinary Dividend of 1.45 Cents per share has been proposed for payment in October 2023. This has not been provided for in the financial statements. Since balance date the value of the investment portfolio has improved in the order of \$1.0 million.

For personal use only



Note 24. Cash Flow Information

| | 2023 | 2022 |
|---|-----------------|------------------|
| Reconciliation of operating profit after income tax to net cash inflow from operating activities: | \$ | \$ |
| Operating Profit after Income Tax | 169,631 | 1,812,351 |
| Prior held Short Term Securities sold | - | - |
| Short Term Securities purchased and held | (275,774) | (71,917) |
| Changes in Operating Assets and Liabilities: | | |
| (Increase) Decrease in Other Debtors, prepayments | (21,869) | 57,261 |
| Increase (Decrease) in Other Creditors, accruals | 80,008 | 127,091 |
| Net Cash inflow from Operating Activities | <u>(48,004)</u> | <u>1,924,786</u> |
| Cash Balances at year end: | | |
| Money at Bank and on Hand | 17,587 | 1,551,842 |
| | <u>17,587</u> | <u>1,551,842</u> |

Note 25. Earnings per share

| | Cents | Cents |
|--|------------|------------|
| Basic and Diluted earnings per share (Note: No dilution as no options in existence). | 0.55 | 5.94 |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 30,913,650 | 30,512,328 |

For personal use only



London City Equities Limited


Directors' Declaration

In the opinion of the Directors of London City Equities Limited ("the company"):

- (a) the financial statements and notes as set out on pages 12 to 28 are in accordance with the Corporations Act 2001 including
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - b. complying with International Accounting Standards as indicated in Note 1; and
 - c. giving a true and fair view of the Company's financial position as at 30 June 2023 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out in the financial report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001; and
- (d) The Directors have been given the declarations by the effective chief executive officer and the effective chief financial officer required by Section 295A of the Corporations Act 2001.

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: 20 September 2023

For personal use only

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

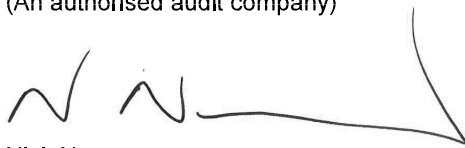
To the Directors of

LONDON CITY EQUITIES LIMITED
ABN 59 003 200 664

I declare that to the best of my knowledge and belief, during the year ended 30 June 2023 there have been:

- i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Cutcher & Neale Assurance Pty Limited
(An authorised audit company)



Nick Nancarrow
Director

NEWCASTLE WEST

14 September 2023

For personal use only

Independent Audit Report to the Members of

LONDON CITY EQUITIES LIMITED
ABN 59 003 200 664

Report on the Financial Report

Opinion

We have audited the financial report of London City Equities Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of London City Equities Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Audit Report to the Members (cont'd)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our opinion on the accompanying financial report.

Investment Valuation

The Company's primary activity is investment in other companies and its main asset is an investment portfolio consisting primarily of listed equities and cash deposits. As at 30 June 2023, the value of listed securities (refer to note 8 to the financial statements) amounted to \$17.223M representing 84% of total assets held by the Company.

The Company's accounting policy (refer to note 1(b) to the financial statements) describes the distinction between the "Trading Portfolio" and the "Investment Portfolio" with both asset classes recorded at fair value in accordance with Accounting Standard AASB 9 Financial Instruments.

The distinction between "Trading" and "Investment" portfolio assets can have a significant impact on the financial report as changes in market value of the former are recorded in the Income Statement and the latter within a separate reserve within equity. The classification and valuation of investments within the Investment Portfolio, and the tax effect of unrealised gains or losses, (refer to note 14(b) to the financial statements) is considered a key area of focus.

How our audit addressed this key audit matter

In obtaining sufficient audit evidence we:

- (a) Assessed the classification of each investment as either Trading or Investment Portfolio assets in accordance with the Company's accounting policy
- (b) Confirmed investment holdings to external confirmations
- (c) Confirmed the valuation of all listed investments had been recorded to reflect the appropriate market value of the securities at balance date
- (d) Evaluated the Company's assessment of fair value for possible impairment
- (e) Evaluated the Company's recognition of deferred tax assets, in respect of tax losses, to reduce the tax payable in respect of the unrealised gains on the Investment Portfolio

Newcastle 130 Parry Street Newcastle West NSW 2302 T 02 4928 8500 F 02 4926 1971 E cnmail@cutcher.com.au M PO Box 694 Newcastle NSW 2300

Sydney Suite 1102, Level 11, 20 Berry Street (PO Box 281) North Sydney NSW 2059 T 02 9923 1817

Brisbane Suite 5, 36 Agnes Street (PO Box 91) Fortitude Valley QLD 4006 T 07 3268 4944

Liability Limited by a scheme approved under Professional Standards Legislation. Cutcher & Neale Assurance Pty Ltd ABN 37 126556 330

Independent Audit Report to the Members (cont'd)+

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 Annual Report other than the financial report and the auditor's report thereon. We obtained the Chairman's Review and Directors Report that are to be included in the Annual Report prior to the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Newcastle 130 Parry Street Newcastle West NSW 2302 T 02 4928 8500 F 02 4926 1971 E cnmail@cutcher.com.au M PO Box 694 Newcastle NSW 2300

Sydney Suite 1102, Level 11, 20 Berry Street (PO Box 281) North Sydney NSW 2059 T 02 9923 1817

Brisbane Suite 5, 36 Agnes Street (PO Box 91) Fortitude Valley QLD 4006 T 07 3268 4944

Liability Limited by a scheme approved under Professional Standards Legislation. Cutcher & Neale Assurance Pty Ltd ABN 37 126 556 330

Independent Audit Report to the Members (cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2023. In our opinion, the Remuneration Report of London City Equities Limited for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

Newcastle 130 Parry Street Newcastle West NSW 2302 T 02 4928 8500 F 02 4926 1971 E cnmail@cutcher.com.au M PO Box 694 Newcastle NSW 2300

Sydney Suite 1102, Level 11, 20 Berry Street (PO Box 281) North Sydney NSW 2059 T 02 9923 1817

Brisbane Suite 5, 36 Agnes Street (PO Box 91) Fortitude Valley QLD 4006 T 07 3268 4944

Liability Limited by a scheme approved under Professional Standards Legislation. Cutcher & Neale Assurance Pty Ltd ABN 37 126556 330

Independent Audit Report to the Members (cont'd)

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Cutcher & Neale Assurance Pty Limited
(An authorised audit company)



Nick Nancarrow
Director

NEWCASTLE WEST

21 September 2023

For personal use only

Newcastle 130 Parry Street Newcastle West NSW 2302 **T** 02 4928 8500 **F** 02 4926 1971 **E** cnmail@cutcher.com.au **M** PO Box 694 Newcastle NSW 2300

Sydney Suite 1102, Level 11, 20 Berry Street (PO Box 281) North Sydney NSW 2059 **T** 02 9923 1817

Brisbane Suite 5, 36 Agnes Street (PO Box 91) Fortitude Valley QLD 4006 **T** 07 3268 4944

Liability Limited by a scheme approved under Professional Standards Legislation. Cutcher & Neale Assurance Pty Ltd ABN 37 126 556 330

London City Equities Limited



Corporate Governance Charters - 2023

A – The Board Charter of London City Equities Limited

The Board of London City Equities Limited (“London City”) recognises that formal and informal responsibilities and tasks are established in the company’s Constitution, in legislation and in regulatory requirements. The purpose of this Charter is to provide a structural framework to give the Board direction and authority over non contractual, legislative or regulatory responsibilities and duties.

Terms of Reference

Complementary to contractual, legislative or regulatory responsibilities, the Board’s responsibilities shall include the following:

- Recognising that London City is foremost a business entity.
- Considering and approving corporate strategies and policies, reviewing and approving business plans and major items of expenditure and reviewing and approving financial statements and their presentation to shareholders
- Monitoring and utilising bodies such as the Audit, Compliance and Risk Management Committee and the Remuneration Committee, ensuring that the company has in place a reporting system which enables it to address the compliance and risk management responsibilities of the business carried out by London City.
- Assessing management, including the appointment of executives to the organisation, including the Company Secretary and examining corporate and executive performance.
- Considering Board appointments
- Reviewing from time to time the compliance undertaken by the company’s portfolio manager, Imperial Pacific Asset Management Pty Limited.

Membership

The membership of the Board is determined by the Constitution and “shall be not less than 3 or more than 7”. One-third of (non-executive) Directors must retire from office each year. They may seek re-election. From time to time the Board may consider it appropriate to appoint a new member (or members) to the Board. Personnel considered for selection shall be chosen in the first place on the basis of their requisite business, financial and communications skills. Assessments will then be made as to their suitability for the role in the light of other characteristics including diversity of skills and background, diversity of gender, potential conflicts of interest, personality, costs, availability and the ability to conform to a small company operation such as that of London City. Independence (as defined by ASX Corporate Governance statements) is not considered an important characteristic for London City. Induction of new Board members is to incorporate detailed explanations of operational matters and assurances as to meeting competent business practices.

London City supports the principle of diversity of skills, background and gender in relation to board membership, management composure and commercial activity. Directors should pursue relevant research and investment presentations to enhance professional development. London City will adopt as far as practicable for a company of the size and business activity of London City such a policy in these matters.

Meetings

The Board proposes to meet a minimum of four times each year. Additional meetings may be initiated by a Director or through requests from senior management.

External Reporting

The Board recognises its legislative and regulatory obligations to report financial and other events to its owners, the shareholders, on a continuous disclosure basis and to comply with other regulatory obligations such as those of ASIC and ATO and to undertake scrutiny and re-election at Shareholder Meetings.

Other Duties and Responsibilities

In addition to its formal legislative and regulatory obligations, the Board’s responsibilities include the following:

Planning and Decision making

- Considering and approving corporate strategies and policies;
- Reviewing and approving business plans and major items of expenditure
- Assessing and deciding upon Investment opportunities.
- Assessing and deciding upon capital adequacy, gearing ratios and conservative placement of surplus monies on deposit.

For personal use only

Board Charter (Cont'd)**Monitoring**

- Meeting regularly, formally and informally monitoring the company's performance and its capital and funding adequacy.
- Creating, monitoring and utilising the Audit, Compliance and Risk Management Committee;
- Ensuring that the company has in place a reporting system which enables it to address the reporting, compliance and risk management responsibilities of the business carried out by London City.
- Reviewing from time to time the compliance undertaken by the company's portfolio manager, Imperial Pacific Asset Management Pty Limited.

Reporting

- Ensuring that the company has in place a reporting system which enables it to produce effective, accurate and responsible financial reporting to the shareholders and other parties, including ASIC, ASX and ATO.
- Assessing Section 295A declarations by the CEO and the CFO.
- Reviewing and approving final financial statements and their presentation to shareholders.
- Maintaining open dialogue with all shareholders, especially at the Shareholder Meetings.

Management

- Assessing the need for additional or amended management personnel.
- Evaluating corporate and executive performance.
- Selecting and appointing executives to the organisation.
- Delegating the task of managing the corporation to executive management, namely:
 - Creating structure of command and responsibilities
 - Day-to-day management of resources
 - Payments of accounts and receipt of monies
 - Recording of transactions
 - Preparation and presentation of investment proposals, updates on existing and potential investments to the Board in conjunction with Imperial Pacific Asset Management Pty Limited
 - Preparation and presentation of various Board reports, agenda and minutes.
- Creating, monitoring and utilising the Remuneration Committee;

Liaison with Management

- The Board is ultimately responsible for the success of the entity and although it undertakes top level strategic planning and decision making for the entity, any Director is entitled to examine and if necessary, audit, any aspect of the company's operations or its management.

Codes of Conduct, Securities Dealings

- Considering and establishing codes of conduct about Director and personnel behaviour.
- Considering and establishing principles in relation to dealing in securities by Directors and company personnel, including Embargo Lists

Other

Any Director has the right, with Board approval, to seek independent professional advice where this is reasonably required for fulfilment of the responsibilities set out in this Charter.

B – The Audit, Compliance and Risk Management Committee Charter (Summary)

The Audit, Compliance and Risk Management ("ACRM") Committee's activities are directed towards satisfaction of Principles 4 and 7 of the ASX Corporate Governance Principles of the time.

Terms of Reference

The primary function of the ACRM Committee is to assist the Board of London City Equities Limited ("London City") in fulfilling its governance responsibilities in the following areas of Audit, Compliance and Risk Management:

A. Audit

- a. Articulation of the guiding principles to be adopted by the external auditors;
- b. Consideration of operating functions that will ensure adequate internal controls and financial reporting systems are in place.

B. Compliance

- c. Consideration of operating functions that will provide adequate compliance with all relevant statutory and regulatory requirements and community obligations.

C. Risk Management

- d. Appropriate consideration of operating functions that will provide adequate protection of the company's tangible and intangible assets by acceptable management of risk.

ACRM Charter (Summary) (Cont'd)

Membership

The membership of the ACRM Committee will be determined from time to time by the Board and comprises at least two non-executive members of the Board appointed by the Board on the basis of requisite business, financial and communications skills. The Board appoints the Chairman of the Committee. The Chairman presides over the meetings of the Committee and reports, as necessary, its actions and recommendations to the Board. The company's Chief Operating Officer and other personnel may be invited to attend meetings. The Chairman may call special meetings of the Committee in addition to those regularly scheduled and may request the attendance of staff and / or external auditors. A Secretary of the Committee may be appointed to facilitate administrative functions including the preparation and circulation of notices of meetings and agendas, and the recording of minutes.

Meetings

The ACRM Committee shall meet a minimum of two times during each year. Additional meetings are held at the discretion of the Committee Chairman or by direction of the Board. Agendas and minutes shall be prepared in relation to the meetings.

Reporting to the Board

The outcomes of the Committee's deliberations are to be reported to the Board as soon as possible after each meeting of the Committee. The minutes of these meetings are to be circulated to the Board.

Specific Duties and Responsibilities

The Committee is given responsibility for considering and advising Board on the following six areas:

One - Internal Controls and Procedures

- Ensuring through regular reviews that adequate procedures are in place to safeguard the company's assets provide informative financial statements and reports.
- Reviewing internal audit reports.
- Seeking to ensure that a system is in place to monitor legislative changes and current developments in accounting standards that might impact on the company.
- Assessing Section 295A declarations by the CEO and the CFO equivalents.

Two - External Audit

- Discussing with the external auditors the scope and extent of the half yearly and full year financial audits
- Reviewing and discussing findings of the external auditors and advising the Board of any issues of concern.

Three - Published Financial Statements

- Ensuring that systems are in place to allow the annual report statements to reflect properly the financial condition of the company and comply with ASX listing and other regulatory requirements

Four - Compliance

- Ensuring that the company has in place a reporting system which advises the Board periodically and addresses the compliance obligations of a public listed company such as London City.
- Reviewing from time to time the appropriateness of, and compliance action taken, by the company in maximising compliance obligations.
- Reviewing from time to time the compliance undertaken by the company's portfolio manager, Imperial Pacific Asset Management Pty Limited.

Five - Risk Management

- Ensuring that the company has in place a system which addresses risk recognition, oversight and management and reports as appropriate to the Board.
- Reviewing from time to time the appropriateness of, and risk management action taken by the company in maximising risk management protection.

Six - Special Assignments

- Subject to Board approval, doing such other things as are necessary or prudent to fulfil the responsibilities of the Committee.
- Undertaking other related activities referred to the ACRM Committee by the Board.

General

The ACRM Committee has the right at all times to obtain from all levels of management such information as is necessary to fulfil the responsibilities set out in this Charter. The Committee has the right, with Board approval, to seek independent professional advice where this is reasonably required for fulfilment of the responsibilities set out in this Charter.

C – The Remuneration Committee Charter (Summary)

The Remuneration Committee's activities are directed towards satisfaction of Principle 1 of the ASX Corporate Governance Principles. The primary function of the Remuneration Committee is to assist the Board of London City Equities Limited ("London City") in fulfilling its governance responsibilities in the following area:

Establishing the guiding principles and the actual approval process to be adopted in the payment of sums of remuneration (or applicable financial arrangements) for any Director, or employee of the organisation or related party such as a portfolio management service provider.

The membership of the Remuneration Committee will be determined from time to time by the Board and comprise two non-executive members of the Board appointed by the Board on the basis of requisite business, financial and communications skills. The Board appoints the Chairman of the Committee. The Chairman presides over the meetings of the Committee and reports, as necessary, its actions and recommendations to the Board. The company's Chief Operating Officer and other personnel may be invited to attend meetings. The Chairman may call special meetings of the Committee in addition to those regularly scheduled and may request the attendance of staff. A Secretary of the Committee may be appointed to facilitate administrative functions including the preparation and circulation of notices of meetings and agendas, and the recording of minutes.

The Remuneration Committee shall meet as required, expected to be not less than twice per year. Additional meetings are held at the discretion of the Committee Chairman or by direction of the Board. Agendas and minutes shall be prepared in relation to the meetings. The outcomes of the Committee's deliberations are to be reported to the Board as soon as possible after each meeting of the Committee. The minutes of these meetings are to be circulated to the Board.

The Committee is given responsibility for considering and advising Board on the following three areas:

One - The Board - Establishing the guiding principles and the actual approval process to be adopted in the payment of sums of remuneration (or applicable financial arrangements) for members of the Board, predominantly directors fees, examining comparative sums payable in the marketplace for similar services and ensuring proper compliance is undertaken for shareholder approval.

Two – Management - Establishing the guiding principles and the actual approval process to be adopted in the payment of sums of remuneration (or applicable financial arrangements) for executive management and examining comparative sums payable in the marketplace for similar services.

Three - Service Provider – Assessing and monitoring the payment of portfolio management fees to service provider, Imperial Pacific Asset Management Pty Limited.

The Remuneration Committee has the right at all times to obtain from management such information as is necessary to fulfil the responsibilities set out in this Charter

For personal use only



London City Equities Limited

Additional Information for Australian Securities Exchange Limited

Distribution of Equity Securities as at 7 September 2023

210 Shareholders held Ordinary Shares

| Number of Ordinary Shares | Number of Shareholders |
|---------------------------|------------------------|
| 1 - 1,000 | 80 |
| 1,001 - 5,000 | 15 |
| 5,001 - 10,000 | 39 |
| 10,001 - 100,000 | 53 |
| 100,001 and over | 21 |
| | 208 |

Note: There were 53 shareholders with non-marketable parcels of shares.

Substantial Shareholders as at 15 September 2023

Shares in which a relevant interest could be held

| | |
|--|------------|
| Imperial Pacific Limited and related parties | 14,515,229 |
| J.C.Plummer | 12,100,000 |

Twenty Largest Shareholders as at 7 September 2023

The names of the 20 largest shareholders are:-

| <i>Name</i> | <i>Number</i> | <i>Percent of Capital</i> | |
|--|---------------|---------------------------|----|
| Imperial Pacific Limited | 12,442,328 | 40.1% | 1 |
| J.C. Plummer | 12,100,000 | 39.0% | 2 |
| Capel Court Corporation Pty Limited | 1,210,426 | 3.9% | 3 |
| P.E.J.Murray | 864,865 | 2.8% | 4 |
| D.J. and B.L. LeCornu | 366,667 | 1.2% | 5 |
| Clapsy Pty Limited | 315,103 | 1.0% | 6 |
| JMK Wells | 233,222 | 0.8% | 7 |
| REZ Investments Pty Ltd | 206,492 | 0.7% | 8 |
| Imperial Pacific Fund Managers Pty Limited | 201,227 | 0.6% | 9 |
| Wildrose Pty Limited | 160,002 | 0.5% | 10 |
| Boulderstone Nominees Pty Limited | 135,000 | 0.4% | 11 |
| J.K.Murray | 127,747 | 0.4% | 12 |
| Oakey Creek Pastoral Co Pty Limited | 126,499 | 0.4% | 13 |
| Bond Street Custodians Pty Limited | 120,934 | 0.4% | 14 |
| Minton Consulting Pty Limited | 102,395 | 0.3% | 15 |
| A.Rooney | 103,868 | 0.3% | 16 |
| D. Michaelis | 100,667 | 0.3% | 17 |
| S.J.McKenzie | 100,000 | 0.3% | 18 |
| B.G.Symon | 93,334 | 0.3% | 19 |
| R.I.W.Macleod | 97,504 | 0.3% | 20 |
| | 29,208,280 | 94.08% | |

Percentage of the issued capital held by top twenty:

94.08%

Voting Rights

Voting Rights are one vote per share held

Service Agreements

There is no contingent liability for this company for the termination of benefits under service agreements at the date of this report.

For personal use only

For personal use only



LOGO: The emblem of London City Equities Limited represents the London Plane Tree. This plant, initially recorded in 1670, has become a long term survivor of the English seasons and population growth. Its resilience comes from its hardwood strength and its ability to shed bark, thereby renewing and protecting itself from risk of disease. Its shiny leaves are easily washed and reinvigorated by the rain. There are many examples still growing vigorously in London Squares that are estimated to be over 200 years old.