Enriching People's Lives, since 1868

APPENDIX 4D | For the half year ended 31 January 2019

GOWING BROS

Investing together for a secure future

Gowing Bros. Limited

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

OPERATIONAL HIGHLIGHTS

- The first half has seen significant work continuing to lay the foundation for underlying capital preservation and growth in the recurring earnings at Coffs Central, Moonee Market, Kempsey Central, Port Central & Sawtell Commons.
- The first half loss after tax of $2.6 million was predominately impacted by the Directors decision to reduce the carrying value of our investment properties by $5.0 million, the $0.9 million loss on the mark to market valuation of the long-term interest rate hedge, and $0.7 million increase in interest costs due to the increase in the finance facility.
- Underlying earnings before interest and amortisation have improved as rental abatements in previous periods at Coffs Central were removed and new retailers opened for trade. However, we are still approximately 18 months away from reaching full capacity at Coffs Central. The leasing team are working to fill all the new spaces created as part of the $35.0 million upgrade to the centre. When fully leased we should expect to receive an additional $1.7 million income per year. Underlying earnings were also impacted by $0.3 million at Kempsey Central due to rental abatements provided during the current capital works associated with the new cinema construction.
- The Directors consider it important to balance dividends paid to shareholders and monies retained to fund growth of the Company. As a result of the current challenging market and the strategy of the business to grow the underlying recurring income streams, the Directors have decided to reduce the interim dividend to 5c fully franked. The dividend re-investment scheme will be operational for this dividend.
- At Sawtell Commons work has been done to progress with Coffs Harbour City Council and the State Regional Planning Authority the revised development application to improve block quantity yields. While awaiting determination of the amended development application, earthworks have commenced on the first stage (8 blocks) and a decision has been made to progress with releasing the second stage (28 blocks) of the original approved development

RESULTS FOR ANNOUNCEMENT TO THE MARKET

OPERATIONAL HIGHLIGHTS CONT'D

application. Interest in these residential blocks has been strong, with both display home builders and prospective purchasers. There are over 100 expressions of interest on file.

- At Port Macquarie the development application for an adjoining commercial building to Port Central has been scheduled to go before the State Regional Planning Authority on 3 April and has been endorsed for approval by Port Macquarie City Council. Approval will be a key step to securing the option over the adjoining land which will provide the ability to build much needed additional car parking space for the CBD and to allow for centre expansion to introduce new large format retailers.
- During January and February, approximately $5.0 million was invested in a number of Australian Listed Investment Companies. These seed investments are expected to be the cornerstone investment for 1868 Capital's first managed fund.
- Following half year end the Company has received conditional approval to demolish all existing buildings at the 'Solitary 30 at 357 Harbour Drive' development site. This determination paves the way for an exciting new development plan for this premier site in the Coffs Harbour Jetty Precinct.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the half year ended 31 January 2019 with the previous corresponding period being the half year ended 31 January 2018 unless otherwise stated. The results have been reviewed by the Company's auditors. The results of the half year should be read in conjunction with the 2018 annual report for the Group.

DIVIDENDS

Interim fully franked dividend per share	Down 1.0c	5.0 cents
The record date for the interim dividend		9 April 2019
The payment date of the interim dividend		30 April 2019

REVENUE

Total Revenue from Ordinary Activities	Up 9%	$ 29.7 million

EARNINGS

Operational Profit before tax	Down 44%	$1.6 million
Investment Property Revaluations		$(5.0) million
Investment Property Realised Gains		$ 0.4 million
Private Equity Revaluations		$ 0.5 million
Other – Derivative Revaluation		$(0.9) million
Loss before Tax		$(3.4) million
Income Tax Benefit		$ 0.8 million
Loss after Tax attributable to members	Down 220%	**$(2.6) million**

NET ASSETS PER SHARE

Before provision for tax on unrealised gains*	Down 4.6%	$4.31 *

* Before provision for tax on unrealised gains on equities, investment and freehold properties

PROFIT AND LOSS STATEMENT

For the half year ended	31 Jan 2019 $'000	31 Jan 2018 $'000
Operational Net Income		
Interest income	89	133
Investment properties	3,590	4,173
Equities	285	246
Managed private equities	23	365
Surf Hardware International	(202)	(69)
Total Net Income from Ordinary Activities	3,785	4,848
Expenses		
Administration, public company and other	(2,149)	(1,921)
Operational Profit	**1,636**	**2,927**
Gains/(losses) on sale or revaluation		
Investment Properties - Unrealised Gains (losses)	(5,016)	1,239
Investment Properties – Realised Gains	407	(38)
Managed Private Equities	547	(234)
Derivatives	(939)	169
Other		
SHI- Consolidation acquisition cost of sales adjustment	-	(512)
Other Income	-	3
Other costs	(18)	(422)
Profit (loss) Before Tax	(3,383)	3,132
Income tax benefit (expense)	775	(951)
Profit (loss) After Tax	**(2,608)**	**2,181**

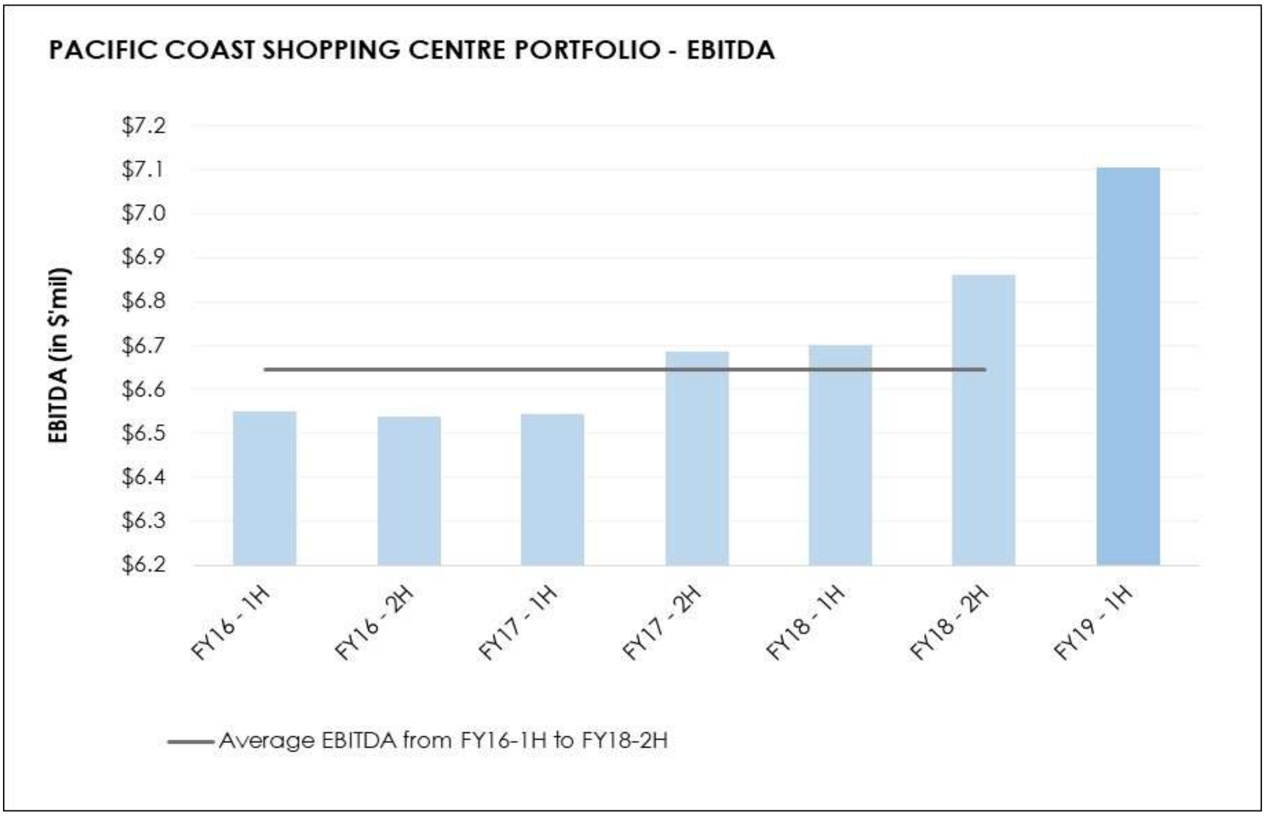
KEY METRICS	31 Jan. 2019	31 July 2018 (12 months)	31 July 2017 (12 months)	31 July 2016 (12 months)	31 July 2015 (12 months)
Net Assets	**$209.3m**	**$216.0m**	**$214.0m**	**$198.6m**	**$186.8m**
Net Assets per Share					
- Before Tax on unrealised gains*	**$4.31**	**$4.52**	**$4.43**	**$4.02**	**$3.77**
Profit (loss) After Tax	**($2.6)m**	**$5.5m**	**$23.2m**	**$22.0m**	**$19.1m**
Total Comprehensive Income (loss)	**($3.9)m**	**$8.6m**	**$21.9m**	**$18.5m**	**$22.5m**
Earnings per Share	**(4.9)c**	**10.15c**	**43.3c**	**40.9c**	**35.5c**
Dividends per Share	**6.0c**	**12.0c**	**12.0c**	**12.0c**	**12.0c**
Total Shareholder Return	**(3.3)%**	**4.7%**	**13.2%**	**9.8%**	**16.30%**

* Before provision for tax on unrealised gains on equities, investment and freehold properties

FINANCIAL REVIEW

The Group recorded a loss after tax of $2.6 million which was lower than the $2.1 million profit recorded for the corresponding period in 2018. The variance is due to the revaluation adjustment on the Pacific Coast Shopping Centre ("PCSC") portfolio, the mark to market of the long-term interest rate hedge and the increase in borrowing costs due to the increase in the finance facility to fund the $35.0 million redevelopment of Coffs Central.

During the period at Coffs Central, BCU moved into its new head office on level 3 & 4, Kmart continued its successful start to trading, and the abatements offered in the prior periods due to the redevelopment construction were reversed. This had a positive impact on the net operating income of the centre. At Kempsey Central, the cinema construction has commenced which we believe will have a positive impact once completed. Currently, the centre operating income is down due to the vacant Target Country space and rental abatements given to sitting retailers during the construction period. At the other centres, the leasing team have been identifying tenants for the remaining vacancies and negotiating with existing tenants on renewals. The underlying EBITDA of the PCSC portfolio has increased by 7% over the average of the preceding six corresponding periods.



During the period the directors reviewed the carrying values for the PCSC portfolio and agreed that while the underlying EBITDA had improved a revaluation adjustment downward was prudent to reflect increased uncertainty in the retail property market. A reduction in the carrying value of $5.0 million (compared to an uplift in the corresponding period of $1.2 million) was applied in the period.

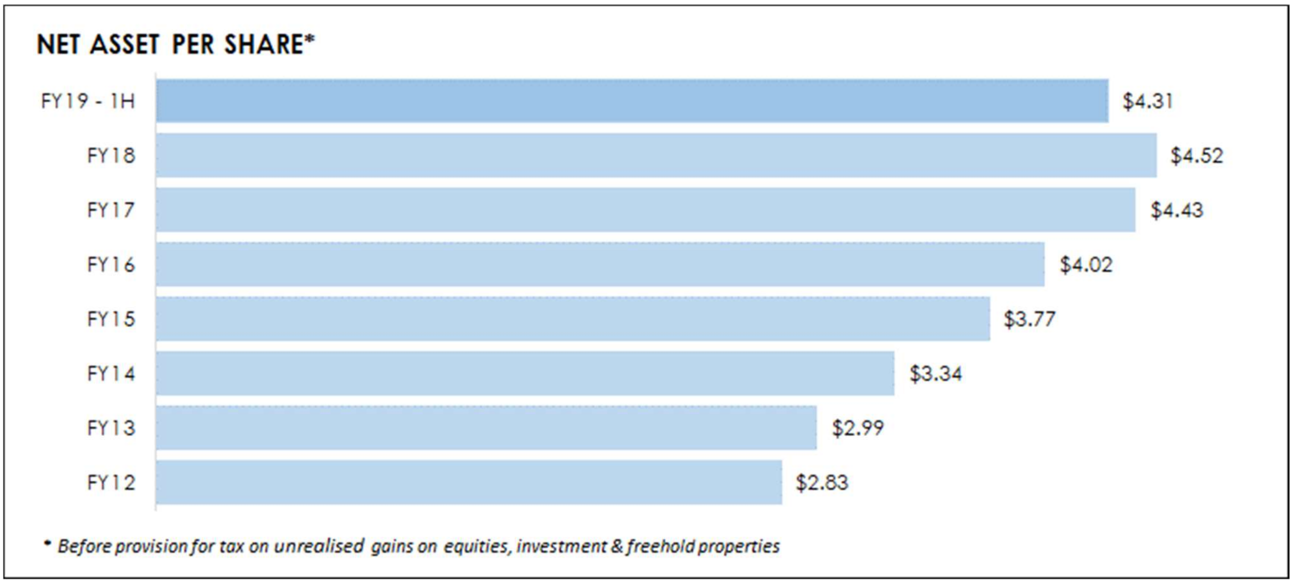
An additional $17.0 million was drawn down on the CBA facility bringing the total amount drawn to $106.7 million. These funds will be used to fund the current Kempsey Cinema construction and Sawtell Commons residential subdivision earthworks. The funds on hand at the end of the period will be utilised for the future works as well as deploying for various investment opportunities. With the debt profile of the group increasing over the period there was an increase in borrowing costs to $2.5 million up from $1.8 million in the prior corresponding period.

In the following period we expect to see improvements to the financial results due to the focus on securing tenants for the vacant new spaces in Coffs Central; driving sales for Stage 1 & 2 releases of the Sawtell Commons residential subdivision, and seasonally stronger performance of Surf Hardware International in the second half due to the northern hemisphere summer.

SHAREHOLDER RETURNS

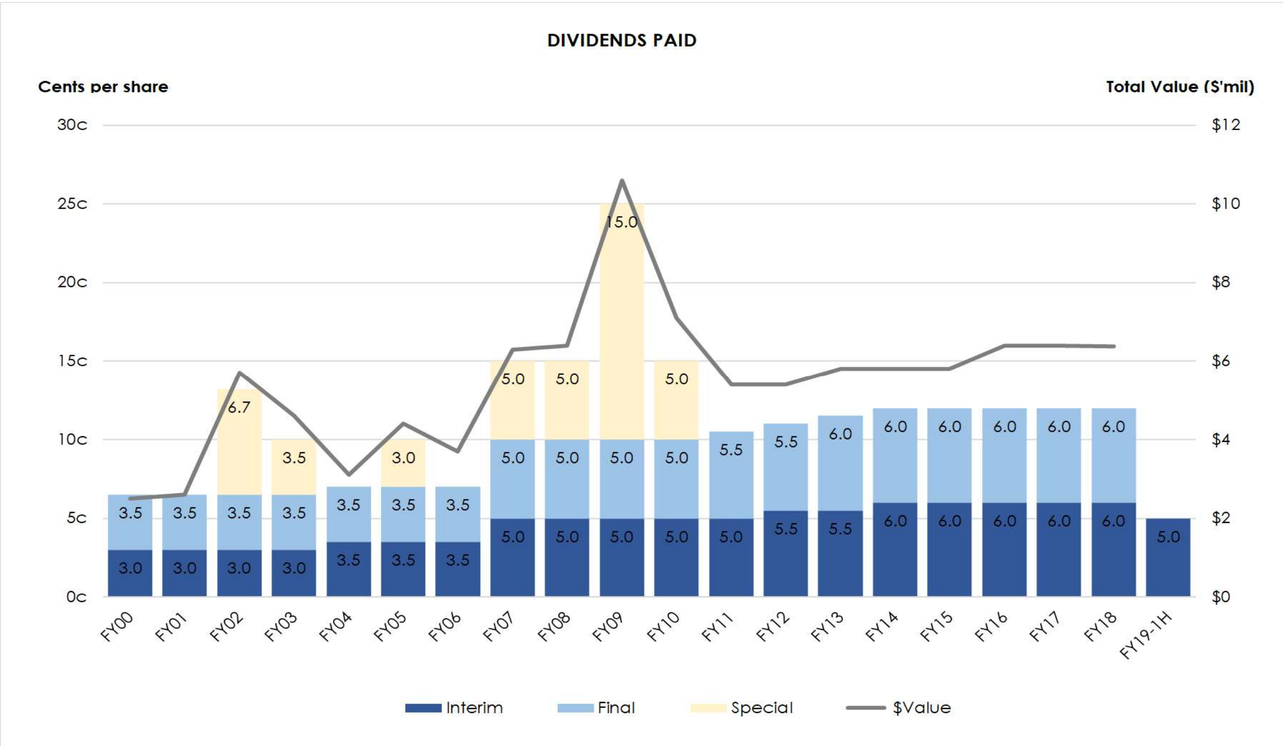
The Company's focus is to preserve and grow the value of its underlying financial assets and grow net recurring income from ordinary activities as the principal source of income to pay ordinary dividends. For over 150 years the Company has provided significant shareholder wealth creation.

As shown in the table below the net assets per share after growing steadily since 2012, declined during the period mainly due to the revaluation adjustment to the carrying value of the PCSC portfolio, and the investments in Hydration Pharmaceuticals and TPI Enterprises Ltd.



DIVIDENDS

The Company has declared an interim 5c fully franked dividend which will be paid on 30 April 2019.



The Company has maintained a prudent approach to dividends given the capital requirements of the Company across various developments and investment opportunities either underway or under consideration.

GOWINGS AT A GLANCE (At Directors' Valuation)

	31 Jan 2019 $'000	31 Jul 2018 $'000
Strategic Investments		
Surf Hardware International	16,000	16,000
Boundary Bend Limited	14,834	14,834
Carlton Investments	5,367	5,648
Murray Darling Food Company	2,319	2,319
DiCE Molecules	2,287	2,237
BBBSA Finance	2,100	1,400
NSX Limited	1,700	-
Event Hospitality Group	1,622	1,654
Hydration Pharmaceuticals	1,321	2,665
TPI Enterprises Limited	1,310	1,363
Hexima	749	749
Blackfynn	403	403
EFTsure	333	333
Power Pollen Accelerated Ag Technologies	260	260
Other Listed Investments	3,945	4,318
Total	**54,550**	**54,183**
Private Equity Funds		
Five V Capital	1,673	1,242
OurCrowd Australia	1,151	1,141
Our Innovation Fund	1,098	750
Other Private Equity Funds	328	316
Total	**4,250**	**3,449**
Pacific Coast Shopping Centre Portfolio		
Sub-regional shopping centres	196,435	199,861
Neighbourhood shopping centres	49,872	48,800
Borrowings	(89,745)	(89,745)
Total	**156,562**	**158,916**
Other Direct Properties		
Sawtell Commons - Residential Subdivision	11,500	11,500
Harbour Drive Solitary 30 Site	3,232	3,200
Other Properties	15,338	16,850
Borrowings	(1,500)	(1,600)
Total	**28,570**	**29,950**
Cash		
Cash	20,116	4,065
Revolving Line of Credit Facility	(17,000)	-
Total	**3,116**	**4,065**
Total Strategic Net Assets	**247,048**	**250,563**
Other		
Current & Deferred Tax Liabilities	(31,071)	(32,899)
Surf Hardware International Consolidation Impact	(1,232)	(991)
Fair Value Impact of Sawtell Commons – Residential Subdivision	(1,869)	(2,118)
Other Assets & Liabilities	(3,553)	1,410
Total Net Assets	**209,323**	**215,965**

HALF YEAR IN REVIEW

PROPERTY

The Pacific Coast Shopping Centre (PCSC) portfolio reported value was $246.3 million down from $248.7 million. Extensive work continues in improving the underlying value of the assets and in leasing up the newly created spaces at Coffs Central. Construction of the cinema is well underway at Kempsey Central and earthworks are also underway for the stage 1 release at Sawtell Commons residential subdivision.

The PCSC net income before interest, depreciation and amortisation was up by 7% on the average of the preceding six half year periods. This is due to the increase in rental revenue from new tenants, as well as yearly rental reviews with existing tenants.

Coffs Central redevelopment of the retail component, the new second and third level commercial office space and footpath upgrade are now complete. Kmart is trading strongly, BCU has opened a branch on the corner of Vernon and Gordon streets as well as relocating their head office to take up one and half floors of the commercial office space. The retail leasing campaign which is expected to continue for up to 18 months has secured Endota Spa and National Hearing Aids in new suites on the first floor. There is approximately $1.7 million new rental space to be leased up over this period.

Coffs Central – After completion in 2018 of $35 million redevelopment and commercial office space on levels 3 & 4.

Moonee Marketplace upgrades to the centre are now complete, and the centre continues to trade well with most retailers and in particular Coles enjoying sales growth. The centre is well presented, and the customer satisfaction results indicate the works have been well received by the community. As a fully let neighbourhood centre this asset enjoys a very competitive capitalisation rate and continues to perform well for the business. Moonee Market is set to be a major beneficiary of the Coffs Harbour bypass.

Moonee Market after upgrades to entrances and food court completed in 2018.

Port Central continues to trade well. A development application lodged for the neighbouring block of land has been recommended for approval by Port Macquarie City Council (PMCC) and is due to be reviewed by the State Regional Planning Authority on 3 April 2019. Approval of the development application is a key step to securing the option over the adjoining land owned by PMCC. This will enable the construction of much needed additional car parking spaces for the CBD and potential expansion of the centre to introduce new national retailers.

Artist impression of potential Port Central redevelopment opportunity.

At **Kempsey Central** the Cinema project is well underway, with the new first floor slab poured in March 2019. We appreciate the patience of the existing tenants who are trading through the construction. If all goes to plan, Riverside Movies, Kempsey with the support of Kempsey Council, the Federal Government and Majestic Cinemas is scheduled to open in September 2019.

Kempsey Central – Cinema construction underway March 2019 with artist impression of completed construction expected in Q4 of 2019 calendar year.

Other Direct Properties

Sawtell Commons – is a 165-lot approved residential sub-division located near Sawtell Beach, south of Coffs Harbour. Earthworks have commenced with stage 1 sales underway and due for settlement in 2019. Stage 2 sales will commence in April 2019. There has been strong interest from prospective buyers during the pre-sales stage and recent sales of land suggest that the market has appreciated since the property was purchased.

A revised development application to improve the block quantity yield and the overall quality of the offer is slowly working its way through Coffs Harbour City Council and then subsequently for approval by State Regional Planning Authority. Sawtell Commons is the last greenfield development site east of the Pacific Highway south of Coffs Harbour. It is a very attractive site with great amenity. Advertisements placed in Coastbeat have generated a file of over 100 expressions of interest.

Earthworks underway March 2019 at Sawtell Commons residential sub-division.

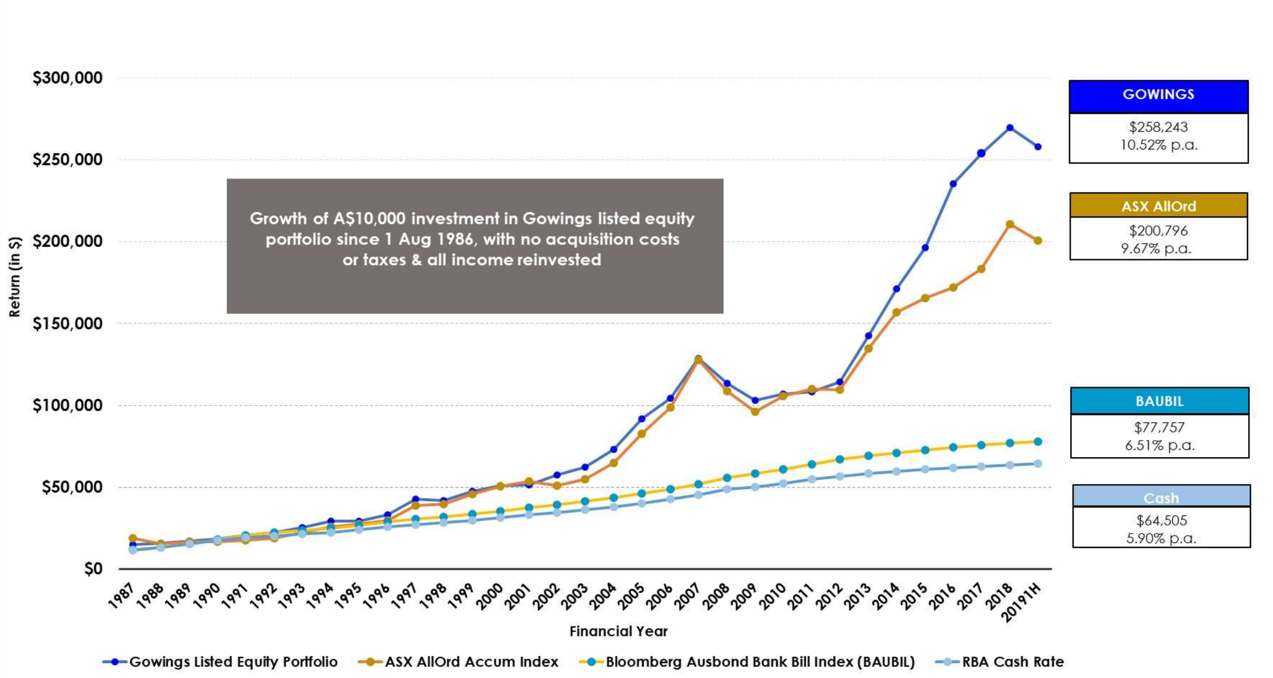
Solitary 30 - Following half year end the company has received conditional approval to demolish all existing buildings at the 'Solitary 30 at 357 Harbour Drive' development site. This determination paves the way for an exciting new development plan for this sought after site in the Coffs Harbour Jetty Precinct.

View from 'Solitary 30 at 357 Harbour Drive' development site

STRATEGIC INVESTMENTS

Gowings has a history of strong results within its listed equity portfolio and as highlighted in the graph below it has successfully outperformed the ASX over the last 30 years.

GROWTH RATE OF STRATEGIC EQUITY PORTFOLIO



Note: Includes Boundary Bend Limited, and Hexima Limited which was formerly listed on the ASX

Surf Hardware International (Director Valuation $16.0 million; Cost $16.0 million)

Surf Hardware International (SHI) is a manufacturer and global supplier of surf-related products under the highly recognised brands of FCS, Gorilla, Softech, Hydro and newly acquired Kanulock.

During the first half the business has performed well with strong sales growth recorded compared to the same period last year.

The US business has recorded some encouraging results, with sales ahead of the same period last year, and it is well positioned for a strong Spring/Summer result as new product ranges and marketing initiatives flow into the market for the northern hemisphere summer. Sales in Australasia and Europe were also ahead for the same period last year and the Japanese business continues to perform strongly.

Strong sales were recorded in the FCS leash category driven by the continued momentum of the FCS Freedom Leash launched in March 2018. Retail premium fin sales increased compared to the same period last year and the softboard business continued its positive growth momentum.

Kanulock has been successfully integrated into the business and sales to date have been positive. Key customer meetings have been held with leading Outdoor/Adventure retailers in Australia, with similar plans for US based customers in the coming period.

The eCommerce business recorded strong growth over the same period last year following the move to a new online platform and the re-launch of the FCS sites in Australia, US and Europe. The launch of stand-alone Softech

Softboard sites in Australia and the US have also made a positive contribution, with a European site launch planned for April 2019.

FCS athletes performed well during the period collecting 4 men's WSL event victories and Gabriel Medina claimed the men's world title riding the FCS II system and fins. Stephanie Gilmore, while not officially sponsored by the brand, claimed the Women's world title also riding the FCS II system and fins.

During the period, Filipe Toledo who finished 3rd on the WSL men's tour in 2018, re-signed with FCS and also joined the Softech Ambassador program alongside fellow Softech brand Ambassadors Mason Ho, Sally Fitzgibbons and 2 x World Champion Tom Carroll.

The new "Freedom to Escape" campaign was launched during the period with the introduction of a new range of FCS travel bags, packs & accessories, this will be extended during the second half in order to support the launch of the new FCS boardbag range.

SHI are forecasting positive results for the second half as the new summer product ranges and marketing initiatives begin to flow into the northern hemisphere markets (US, Europe and Japan) from March 2019.

A key focus for the coming period will be the finalisation of the H4 fin innovation project due for release in March 2020 along with the new FCS Technical Apparel range, also due for release in March 2020.

Integrating the New Zealand territory under the direct management of head office and commencing the initial stages of a new ERP implementation will also be key focuses during the coming period.

Boundary Bend Limited (Valuation $14.8 million; Cost $2.9 million)

Boundary Bend is Australia's leading producer of premium extra virgin olive oil and Australia's largest olive farmer. Boundary Bend produces Australia's two top selling home grown extra virgin olive oil brands, Cobram Estate and Red Island. Boundary Bend also owns 2.3 million producing trees with over 6,575 hectares of pristine Australian farmland located in the Murray Valley region of north-west Victoria. In addition to growing and milling olives and producing olive oil, Boundary Bend operates a bottling, storage and laboratory facility near Geelong and has groves, an olive mill, bottling facilities, laboratory and administrative offices in Woodland, California.

Cobram Estate achieved retail sales of $78.1 million in 2018 making it the number one selling retail brand of extra virgin olive oil in Australia by every measure (40.1% of the market by value and 30.5% by volume). The Cobram Estate brand continues to grow in the USA with packaged goods sales increasing by 137% on the prior year.

As at 31 December 2018 their first half result is well ahead of the corresponding period in the prior year. A price rise of 15% was implemented on 1 July 2018 and this has sales of Cobram Estate well ahead of forecast to 31 December 2018 and the US business is progressing well with a record 2018 harvest and sales are up 80% year on year.

Carlton Investments (Valuation $5.4 million; Cost $1.2 million) and Event Hospitality Group (Valuation $1.6 million; Cost $1.1 million)

Carlton Investments Limited is a listed investment company, incorporated in 1928 and traded on the ASX. Carlton Investments' strategy is to invest in established, well managed Australian listed entities that are anticipated to provide attractive levels of sustainable income and also long-term capital growth. The Group also invests in companies that enable a high portion of income to be received as fully franked dividends. Investments are held for the long term and are generally only disposed of through takeover, mergers or other exceptional circumstances that may arise from time to time. Carlton Investments does not act as share traders nor do they invest in speculative stocks.

The Group ended the first half with a $23.0 million profit, up 3% from the prior corresponding period. Carlton Investments' primary holding is Event Hospitality and Entertainment (44%) followed by substantial positions in the big 4 Australian Banks (24%).

Event Hospitality & Entertainment (EVT) main divisions are cinema exhibition (Event, Greater Union, BCC and Cinestar), hotel operations and ownership (Rydges, Atura, Thredbo Alpine Resort and QT), and property development. During FY18 they experienced strong performance in hotels, contributing approximately half of FY18 earnings growth. Cinemas were underperformers with Australian cinemas' EBIT declining 13% due to lower admissions and underperformance of mid-budget films. EVT has announced they are exploring options for the sale of their German cinemas.

National Stock Exchange of Australia Limited (Valuation $1.7 million; Cost $1.5 million)

During the period Gowings purchased shares in National Stock Exchange of Australia Limited (ASX; NSX). They own and operate the National Stock Exchange of Australia, the second largest listings exchange in Australia. NSX is building an alternative exchange, creating a deeper, more liquid and therefore lower cost of capital market.

2018 was pivotal year for the NSX marked by the delivery of critical infrastructure projects enhancing market access and information dissemination, further lifting of regulatory and compliance thresholds across the markets, and engagement at the forefront of critical issues impacting equity capital markets in Australia. We believe NSX has the potential to develop into a Tier 1 listings exchange, providing strong growth by initially targeting lower market capitalisation companies and providing their services at lower cost.

TPI Enterprises Limited (Valuation $1.3 million; Cost $2.8 million)

TPI Enterprises Limited (ASX: TPE) uses poppy straws to manufacture narcotic raw materials (NRM) used to create drugs such as morphine, thebaine, oripavine, and codeine. TPE converts the raw material into Active Pharmaceutical Ingredients which are then processed into Finished Dosage Formula (tablets) via its Norwegian facility. Additionally, TPE sells poppy seed for culinary purposes.

TPE generated $46.5 million in revenues which was slightly behind the $50.0 million target for the year. They also generated a pleasing positive EBITDA in their fourth quarter. This came from 50% organic growth in revenues and 110% revenue growth inclusive of the additional Vistin acquisition revenue.

TPE now has much greater security in poppy straw supply since beginning to source from the northern hemisphere in addition to Australia. This allows TPE to produce more narcotic raw material than is needed through its vertical supply chain, leaving a surplus available for sale. This year TPE is focusing on growing out its Active Pharmaceutical Ingredient production where it sees the highest margins.

Hexima (Valuation $0.7 million; Original Cost $3.1 million)

Hexima is a biotechnology company actively engaged in the research and development of plant-derived proteins and peptides for applications as human therapeutics. Its lead drug candidate, HXP124, is in phase I/IIa clinical trials for the treatment of fungal toenail infections (onychomycosis).

2018 has been a transformative year for the company. They have moved from being an exploratory research company to one with a real drug candidate under development and substantial positive clinical-trial results.

The company will be undertaking a capital raising in the order of $25.0 million, which will give them sufficient funds to take HXP124 through the remaining clinical trials. We expect that this capital raising will be at a substantially increased valuation over the previous rights issue.

Murray Darling Food Company (Valuation $2.3 million; Cost $2.1 million)

During the period Murray Darling Food Company (MDFC) like all NSW farmers were affected by the severe weather conditions. While Burrawang West Station received good rain during October to December, its ram customers did not, and most of them have encountered dust storms which denuded what feed was available. This has impacted MDFC's financial forecasts. To combat this impact the MDFC team has stopped any future planned property developments and reduced monthly operating expenditure. However, with the rain received at BWS, MDFC took the opportunity to purchase 4000 lambs which will be finished off by end of March and sold. There are also further opportunities with the embryo program and exports to the US and South America, as South African farmers have had a further foot and mouth outbreak which has for the moment suspended their ability to export embryos to these regions.

Long term MDFC is looking at options if the drought conditions are not broken. These options include selling the current properties and leasing back to even relocating the business to another location further south on a leased block. The MDFC board is confident that when the drought breaks with lower operating costs the business can deliver returns to the shareholders.

BBBSA Finance (Valuation $2.1 million; Cost $2.1 million)

BBBSA Finance (BBBSA), trading as TrailBlazer Finance, is a specialist financial services lender. It offers business loans, valuations and M&A advice and execution services, specifically tailored for financial intermediaries. Client businesses include mortgage brokerage; financial planning firms; wealth management; insurance and finance brokers; residential real estate management and tax & accounting practices. Its advice and product offerings are broad and include a specialisation in SME and small listed companies.

In late FY2018 Gowing's made a strategic investment and assumed a Board seat in BBBSA Finance Pty Ltd. The Company has achieved its highest level of half yearly growth since its inception 7.5 years ago. This has been in part because of the reluctance by major banks to continue to provide credit facilities to SME's that are cashflow backed. This has enabled BBBSA to grow to over $10 billion dollars of underlying mortgages, real estate rental contracts and financial planning books that underpin its loan book security. This annuity income serves as the source of cashflows that support and service its loan book. At the time of writing the Hayne Commission has just released its recommendations. The resultant changes that will flow through the financial services industry are likely to further boost demand for TrailBlazer's innovative financing solutions.

Hydration Pharmaceuticals (Valuation $1.3 million; Cost $3.0 million)

Hydralyte markets great tasting clinical hydration products scientifically formulated to contain the correct balance of glucose and electrolytes for rapid rehydration. Hydralyte products have up to 75% less sugar and 4 times the electrolytes compared to leading sports drinks and are based on the World Health Organization criteria for effective rehydration. Hydralyte products fill a consumer need by providing a solution that tastes good and is clinically effective.

Hydralyte experienced rapid growth in Canadian retail sales over the last period with the category up 19.8% and Hydralyte up approximately 40%. Velocities in the USA are slow but increasing, the market is more than 19x the size of the Canadian category and growing at 13%. During the period Adem Karafili has been appointed as Executive Chairman of Hydralyte and Oliver Baker as CEO. Adem spent the last seven years establishing Swisse Wellness as the leading global health and wellness brand before its sale to Biostime International for over $1.7 billion while Oliver was General Manager of Swisse USA, launching the Swisse brand with a dedicated e-commerce strategy, we expect these additions to the team to accelerate Hydralyte's expansion.

DiCE Molecules (Valuation $2.3 million; Cost $1.2 million)

DiCE Molecules is a privately held US biotechnology company with a technology platform that brings the power of directed evolution to the field of synthetic chemistry. DiCE's technology platform originated at Stanford University and has the potential to revolutionize small molecule drug discovery. Their business model includes the generation of milestone and royalty revenue through drug discovery collaborations currently with Sanofi and Genentech, and the monetization of its own drug development assets, the most advanced of which is in preclinical studies.

DiCE had a strong year in 2018 considering the rapid progress of their IL-17 program, an orally bioavailable treatment for moderate to severe psoriasis, alongside a successful Series B capital raise totalling $50.0 million. Their collaborations with Sanofi and Genentech are on solid footing; they will have 12 partnered targets onboard for the current campaign, with the next milestones in sight. DiCE remain very well positioned to achieve their long-standing goal of building a biotech company, that produces transformative medicines for patients and creates meaningful value for stakeholders.

Blackfynn (Valuation $0.4 million; Cost $0.4 million)

Blackfynn is a Philadelphia-based, early-stage life sciences technology company focused on enabling improved treatments for neurological disease. Through the unique combination of their proprietary platform, vast amounts of integrated high-quality clinical data and an experienced team with deep domain expertise, Blackfynn takes a data-driven approach to understanding disease. Blackfynn works with pharmaceutical and biotechnology companies, leading foundations, academic institutions and government agencies to enable biomarker-driven discovery, development, approval, reimbursement and use of novel, disease-modifying therapeutics for neurological illnesses such as epilepsy, Parkinson's disease, ALS and dementia.

PowerPollen (Valuation $0.3 million; Cost $0.3 million)

PowerPollen is an early-stage agricultural technology company based in Iowa, USA, developing an advanced yield enhancement technology that enables higher productivity in seed and grain production. PowerPollen has revolutionised how plants reproduce, providing unprecedented control of pollination that simplifies corn seed production while potentially enabling hybrid production and higher profits in current low profit crops like wheat. This break-through will increase farmer profits and global food supplies that are necessary to feed a population that will grow to 9 billion by the year 2050.

In 2018 PowerPollen validated their technology by deploying pollen at a large scale and proved seed quality improvement and seed yield increases by a significant margin. PowerPollen has set up additional testing sites in Puerto Rico which enables them to run testing on multiple crop cycles through the year. They continue to optimise their process and plan to increase acreage working closely with customers over 2019. PowerPollen won the Prometheus Award for AgTech Company of the year and the Pappajohn Pitch Competition, an Entrepreneurial Venture Competition based in Iowa.

PRIVATE EQUITY MANAGED FUNDS

Five V Capital (Valuation $1.7 million; Cost $1.2 million)

Five V Capital has been set up and managed by Adrian MacKenzie and Srdjan Dangubic, experienced Australian private equity and venture capital managers with whom Gowings have enjoyed a long relationship. Gowings have committed $1 million to Five V's Fund II which invests in businesses across Australia and New Zealand. The principals of Five V Capital have committed a substantial amount of their own capital to Fund II, driving alignment of interests between the managers and investors.

Five V had a strong half with a new investment in Universal Store, a return of capital to investors from Education Perfect, a successful capital raising by RateSetter and an agreement to sell part of the Madman business.

Universal Store is an Australian specialist omnichannel retailer of global and domestic, third-party and private brand, youth apparel. Established in Brisbane in 1999, Universal now operates 59 stores nationally with a focus demographic of 15 to 25-year old male and female shoppers. Driven by the customer demographic, Universal Store has developed a strong and fast-growing online platform supported by a leading social media presence.

To date Gowings has had 72% of capital drawn from our total commitment of $1.0 million (together with co-investment amounts to date of $0.6 million.

OurCrowd Australia (Valuation $1.2 million; Cost $1.2 million)

OurCrowd is the leading global equity crowdfunding platform for accredited investors. Managed by a team of seasoned investment professionals, OurCrowd vets and selects opportunities, invests its own capital, and brings companies to its accredited membership of global investors. OurCrowd provides post-investment support to its portfolio companies, assigns industry experts as mentors, and takes board seats. The OurCrowd community of almost 17,000 investors from over 110 countries has reached $1 billion in funds under management with over 110 portfolio companies and funds.

Gowings has made a $US 0.9 million investment into OurCrowd of which $US 0.75 million has been deployed across 21 companies covering healthcare, tech hardware, software, fintech, and mobility, the remaining capital being available for follow on rounds in successful companies. The most recent investment was in Syqe Medical, a firm that has developed a pocket-sized metered-dose cannabis inhaler, poised to become the most advanced and versatile inhalation-based drug delivery platform of its kind. The Syqe Inhaler utilizes selective 100 microgram dosing precision, realtime thermal & flow controllers, lung interfacing and wireless connectivity, allowing patients to reach the coveted optimum balance between symptom relief and psychoactivity, regaining their quality of life.

Our Innovation Fund (Valuation $1.1 million; Cost $0.9 million)

Our Innovation Fund is an early stage venture capital limited partnership (ESVCLP) fund which invests in Australian based, early stage, innovative technology businesses with the potential for high growth and attractive returns. The Fund is run by a team with decades of experience investing in and building technology businesses and is capitalising on the Australian government's National Innovation and Science Agenda, seeking to stimulate the Australian innovation ecosystem with various grants and tax concessions.

The Fund makes investments throughout various stages of company development (from seed through to early expansion), with attention given to the experience and mindset of the founders of potential investee companies, potential for the long-term success of business models, and the potential investment returns for investors in the Fund.

Our Innovation Fund has continued to invest capital over the period and having called 60% of committed capital to date upon which we have seen a 22% uplift in valuation. The fund currently has 10 portfolio companies including investments in enterprise software, hardware/devices and financial technology businesses.

FUNDS MANAGEMENT

1868 Capital

1868 Capital, Gowings' Australian Financial Services Licensed business will utilise Gowings long term investment philosophy and develop a range of funds for investors.

Business selection criteria will include:

- Experience management in the sector who have invested themselves into business;
- The business has a sustainable competitive advantage;
- The business operates in a niche market with a defined global growth path;
- The business operating model is aligned to global trends;
- The business is fairly priced; and
- The Gowings network can add value to the business.

Within each fund that is established, Gowings will be a cornerstone investor.

1868 Capital plans to launch their first fund within the next period. The fund will be known as the 1868 Capital Eternity Listed Investment Company (LIC) Fund.

The fund's investment strategy will be to invest in a range of listed investment companies(LICs) and trusts (LITs) both domestically and internationally, 1868 Capital will look to invest in LICs and LITs with a track record of returns to investors over the long term (typically over a period of 10 years or more), is well capitalised and liquid, holding investments that can be fundamentally valued and has stable management.

A number of domestic LICs have already been identified for 1868 Capital to seed the fund, along with a short list of international listed investment companies to be reviewed prior to the fund being launched. If you would like more information about 1868 Capital and the 1868 Capital Eternity LIC Fund, please visit our website.

OUTLOOK AND GROWTH

From reading this report Investors can see that Gowings continues to be very busy working on building the underlying value in the capital of the company as well as laying the foundations for increasing recurring earnings. Substantial works are underway at Kempsey Central (cinema construction) and Sawtell Commons (earthworks for stage 1 & 2). A conditional development application has been given for demolishing the existing buildings at "Solitary 30 – 357 Harbour Drive", enabling the commencement of design and financial feasibilities on this prime site.

We continue to evaluate the feasibility of building the approved hotel on top of Coffs Central, or additional commercial office space or residential units. The building has been underpinned and future proofed for this future development.

As a listed investment company, the Board continually assesses the Company's investment strategies, asset allocation and holding positions. It is anticipated that in the coming six months the Board may consider possible options with respect to its property portfolio. This may include strategies to unlock value of select assets within this portfolio.

With the NSW state election in March and Federal election following soon after, along with Brexit and the Trump China trade discussions there are potential headwinds on the horizon. All in all, Gowings is in a strong position as we progress through our 151st year.

DIRECTORS' REPORT

DIRECTORS

The names of each person serving as a Director, either during or since the end of the half year, are set out below:

Mr J. West	(Non-executive Chairman)
Mr J. E. Gowing	(Managing Director)
Mr J. G. Parker	(Non-executive Director)
Mr. S. J. Clancy	(Non-executive Director)

REVIEW OF OPERATIONS

Refer to Results for Announcement to the Market.

ROUNDING OFF

The Company is of a kind referred to in ASIC Corporations (Rounding in the Financial/ Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Directors' report and interim financial report. Amounts in the Directors' report and interim financial report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration given to the Directors by the lead auditor for the review undertaken by HLB Mann Judd is included in page 36.

Dated this 22nd day of March 2019 in accordance with a resolution of the directors.

J. E. Gowing

Managing Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE HALF YEAR ENDED 31 JANUARY 2019

	Notes	31 Jan 2019	31 Jan 2018
		$'000	$'000
Revenue			
Interest income		89	133
Equities		285	246
Private equities		23	365
Investment properties		10,392	9,789
Revenue from the sale of goods (Surf Hardware International)		18,869	16,783
Total revenue		**29,658**	**27,316**
Other Income			
Gains (losses) on disposal or revaluation of:			
- Private equities		547	(234)
- Investment properties		(4,609)	1,201
- Derivatives		(939)	169
- Other		295	219
Total revenue and other income		**24,952**	**28,671**
Expenses			
Investment properties		4,391	3,863
Finished goods, raw materials and other operating costs (Surf Hardware International)		19,154	17,373
Administration		561	1,009
Borrowing costs		2,505	1,753
Depreciation		291	281
Employee benefits		1,206	1,038
Public company		227	222
Total expenses		**28,335**	**25,539**
Profit (loss) before income tax		**(3,383)**	**3,132**
Income tax benefit (expense)	3	775	(951)
Profit (loss) from continuing operations		**(2,608)**	**2,181**
Profit (loss) from continuing operations is attributable to:			
Members of Gowings Bros. Limited		(2,607)	2,182
Non-controlling interests		(1)	(1)
Profit (loss) from continuing operations		**(2,608)**	**2,181**

The consolidated statement of profit or loss should be read in conjunction with the notes as set out on pages 24 to 34.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 JANUARY 2019

	Notes	31 Jan 2019	31 Jan 2018
		$'000	$'000
Profit (loss) from continuing operations		**(2,608)**	**2,181**
Other Comprehensive Income			
Items that will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations, net of tax		49	(8)
Items that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income, net of tax		(1,304)	294
Total Comprehensive Income (Loss)		**(3,863)**	**2,467**
Total comprehensive income (loss) attributable to:			
Members of Gowing Bros. Limited		(3,862)	2,468
Non-controlling interests		(1)	(1)
Total Comprehensive Income (Loss)		**(3,863)**	2,467
Basic and diluted earnings per share	8	**(4.9)c**	**4.1c**

The consolidated statement of comprehensive income should be read in conjunction with the notes as set out on pages 24 to 34.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2019

	Note	31 Jan 2019	31 Jul 2018
		$'000	$'000 (Restated)*
Current Assets			
Cash and cash equivalents		21,083	5,294
Loans receivable		89	-
Trade and other receivables		6,268	7,789
Inventories		8,793	6,234
Current tax receivable		58	-
Other		1,503	1,271
Total Current Assets		**37,794**	**20,588**
Non-Current Assets			
Trade and other receivables		512	567
Loans receivable		2,100	1,400
Equities		36,450	36,783
Private equities		4,250	3,449
Development properties		14,364	14,145
Investment properties	4	252,908	256,678
Property plant and equipment		9,042	8,749
Deferred tax assets		2,888	5,070
Intangibles		4,398	4,302
Other		1,945	2,025
Total Non-Current Assets		**328,857**	**333,168**
Total Assets		**366,651**	**353,756**
Current Liabilities			
Trade and other payables		9,562	4,711
Borrowings	5	3,003	455
Derivatives		366	708
Current tax liabilities		-	357
Provisions		1,141	1,222
Total Current Liabilities		**14,072**	**7,453**
Non-Current Liabilities			
Trade and other payables		234	248
Borrowings	5	107,241	92,009
Derivatives		1,281	-
Provisions		483	469
Deferred tax liabilities		34,017	37,612
Total Non-Current Liabilities		**143,256**	**130,338**
Total Liabilities		**157,328**	**137,791**
Net Assets		**209,323**	**215,965**
Equity			
Contributed equity		12,915	12,476
Reserves	6	100,029	101,956
Retained profits	7	96,382	101,535
Contributed equity & reserves attributable to members of Gowing Bros. Ltd		**209,326**	**215,967**
Non-controlling interests		(3)	(2)
Total equity		**209,323**	**215,965**

The consolidated statement of financial position should be read in conjunction with the notes as set out on pages 24 to 34.
* See Note 1 for details regarding the restatement as a result of a change in accounting policy.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 JANUARY 2019

	Contributed Equity	Capital Profits Reserve-Pre CGT Profits	Foreign Currency Translation Reserve	Revaluation Reserve	Retained Profits	Non-Controlling Interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 August 2017 (Restated)*	12,611	90,503	(162)	9,584	101,442	(2)	213,976
Total comprehensive income for the half-year	-	-	(8)	294	2,182	(1)	2,467
Transactions with owners in their capacity as owners:							
- Dividends paid	-	-	-	-	(3,222)	-	(3,222)
Balance at 31 January 2018 (Restated)*	**12,611**	**90,503**	**(170)**	**9,878**	**100,402**	**(3)**	**213,221**
Balance at 1 August 2018 (Restated)*	12,476	90,503	140	11,313	101,535	(2)	215,965
Total comprehensive income (loss) for the half-year	-	-	49	(1,304)	(2,607)	(1)	(3,863)
Transfer of gains on disposal of equity instruments at fair value through comprehensive income to retained earnings, net of tax	-	-	-	(672)	672	-	-
Transactions with owners in their capacity as owners:							
- Issue of ordinary shares	439	-	-	-	-	-	439
- Dividends paid	-	-	-	-	(3,218)	-	(3,218)
Balance at 31 January 2019	**12,915**	**90,503**	**189**	**9,337**	**96,382**	**(3)**	**209,323**

The consolidated statement of changes in equity should be read in conjunction with the notes as set out on pages 24 to 34.

* See Note 1 for details regarding the restatement as a result of a change in accounting policy.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 JANUARY 2019

	31 Jan 2019	31 Jan 2018
	$'000	$'000
Cash Flows from Operating Activities		
Receipts in the course of operations (inclusive of GST)	33,950	29,980
Payments to suppliers and employees (inclusive of GST)	(29,179)	(26,592)
Dividends received	285	246
Interest received	53	411
Borrowing costs	(2,505)	(1,753)
Income taxes paid	(359)	(1,725)
Net Cash inflow from Operating Activities	2,245	567
Cash Flows from Investing Activities		
Payments for purchases of property, plant and equipment	(584)	(268)
Payments for purchases of intangibles	(96)	(57)
Payments for purchases of equity investments	(2,063)	(421)
Payments for purchases of investment properties	(3,031)	(19,737)
Payments for purchases of development property	(283)	(202)
Proceeds from loans made	-	3,000
Payments for loans made	(789)	-
Proceeds from sale of equity investments	3,567	456
Proceeds from sale of investment properties	1,822	512
Net Cash outflow from Investing Activities	(1,457)	(16,717)
Cash Flows from Financing Activities		
Repayment of borrowings	(107)	(667)
Proceeds from borrowings	17,887	25,025
Dividends paid	(2,779)	(3,222)
Net Cash inflow from Financing Activities	15,001	21,136
Net increase in Cash Held	**15,789**	**4,986**
Cash and cash equivalents at the beginning of the half-year	5,294	5,886
Cash and cash equivalents at the end of the half-year	**21,083**	**10,872**

The consolidated statement of cash flows should be read in conjunction with the notes as set out on pages 24 to 34.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

Gowings Bros. Limited ("the Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The interim financial report is for the Company and its controlled entities (referred herein as "the Group").

The interim financial statements are a general purpose financial report prepared in accordance with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Group as at and for the year ended 31 July 2018 together with any public announcements made during the half-year.

The interim financial report is presented in Australian dollars and is prepared on the historical cost basis, as modified by the revaluation of equities (financial instruments at fair value through comprehensive income), private equities (financial assets at fair value through profit or loss), investment properties and certain classes of property, plant and equipment.

The preparation of an interim financial report requires conformity with Australian Accounting Standards in the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects the current and future periods, then the revision is made over current and future periods accordingly.

Comparative information has been reclassified where appropriate to enhance comparability.
The accounting policies applied in these interim financial statements are the same as those applied in the Group's financial statements as at and for the year ended 31 July 2018, except for changes of the new, revised or amending Accounting Standards and Interpretations adopted during the half-year described below.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in the Financial/ Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off of amounts in the directors' report and interim financial report. Amounts in the directors' report and interim financial report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all new, revised or amending Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

Any new, revised or amending Australian Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The Group had to change its accounting policies and make retrospective adjustments as a result of adopting AASB 9: Financial Instruments. The impact of the adoption of this standard and the respective accounting policies are disclosed below.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of AASB 9: Financial Instruments (AASB 9)

AASB 9 replaces *AASB 139 Financial Instruments: Recognition and Measurement* (AASB 139) bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied AASB 9 retrospectively, with the initial application date of 1 August 2018 and adjusting the comparative information for the period beginning 1 August 2017.

(i) Classification and measurement

Under AASB 9, the classification and measurement model of financial assets has been revised and is now based on the Group's business model for managing the assets and their contractual cash flow characteristics according to one of the three categories described below:

Amortised cost
This category includes financial assets managed under a business model to hold the assets in order to collect the contractual cash flows (CCFs) and those cash flows represent solely payments of principal and interest (SPPI).

Fair value through other comprehensive income (FVTOCI)
This category includes financial assets managed under a business model to sell the assets and collect the CCFs and those cash flows represent SPPI. An irrevocable election can also be made for investments in equity instruments on initial recognition to be measured at FVTOCI.

Fair value through profit or loss (FVTPL)
This includes financial assets managed under a business model that is not based on collecting the CCFs e.g. they are held for trading or the CCFs of the asset do not represent SPPI.

On 1 August 2018, the date of initial application of AASB 9, the Group assessed which business models apply to the financial assets and liabilities held and classified its financial instruments into the appropriate AASB 9 categories which are presented in the table below. There was no change in the carrying values of the Group's financial assets or liabilities as a result of adopting AASB 9.

	Financial instrument category	
	AASB 139	AASB 9
Current & non-current financial assets		
Trade and other receivables	Amortised cost	Amortised cost
Loans receivable	Amortised cost	Amortised cost
Equities (a)	Available-for-sale	FVTOCI
Private equities	FVTPL	FVTPL
Current & non-current financial liabilities		
Trade and other payables	Amortised cost	Amortised cost
Borrowings	Amortised cost	Amortised cost
Derivatives	FVTPL	FVTPL

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Equity investments previously classified as available-for-sale

The Group elected to classify equity investments previously classified as available-for-sale as FVTOCI, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term.

Under AASB 9, these equity investments are no longer subject to impairment (as was the case under AASB 139) and when these equity investments are disposed, any gain or loss will not be recycled to profit or loss and will remain in equity. The change in fair value on these equity investments will continue to be accumulated in the investment revaluation reserve until they are derecognised.

As a result of this change the following adjustments have been made retrospectively:

- An amount of $3.304 million was reclassified from retained profits at 1 August 2017 to the investment revaluation reserve for accumulated impairment expenses recognised in prior periods on equity investments previously classified as available-for-sale held on the initial date of application of AASB 9.
- An amount of $1.082 million was reclassified from retained profits at 1 August 2018 to the investment revaluation reserve for impairment expenses recognised during the 31 July 2018 financial year on equity investments previously classified as available-for-sale held on the initial date of application of AASB 9. Consequently, profit after income tax for the 31 July 2018 financial year has increased by $1.082 million and other comprehensive income reduced by that same amount.

(ii) Impairment of financial assets

AASB 9 introduced a new impairment model for financial assets which requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses (as required under AASB 139).

Under this new model, the Group recognises ECL at initial recognition and the measurement of ECL depends on the level of credit risk associated with the financial asset. If there has been no significant increase in credit risk since initial recognition, then the Group recognises a 12 month ECL which is the total credit losses from expected defaults in the next 12 months. If there has been a significant increase in credit risk since initial recognition or if the asset is credit impaired then the Group recognises a lifetime ECL which is the total credit losses from all expected defaults over the life of the asset. A simple approach is followed in relation to trade and other receivables and the impairment provision is calculated based on the lifetime ECL.

The Group uses judgement in making assumptions about risk of default and ECL and the inputs to the impairment calculation, based on the Group's history, existing market conditions and future looking estimates at the end of each reporting period.

Despite the Group changing its accounting policies, the application of the new impairment model did not result in any material adjustments to the current or preceding financial reporting periods.

(iii) Other impacts

There has been no other material impacts as a result of the adoption of AASB 9, consequently no further disclosures have been included regarding the adoption of AASB 9.

Other amending Accounting Standards and Interpretations

Several other amending Accounting Standards and Interpretations apply for the first time for the current reporting period commencing 1 August 2018. These other amending Accounting Standards and Interpretations did not result in any adjustments to the amounts recognised or disclosures in the interim financial report.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

2. SEGMENT INFORMATION

Business segments

The Group comprises the following business segments, based on the Group's management reporting system:

- Cash and fixed interest
- Equities
- Private equities
- Investment properties
- Development properties
- Surf Hardware International business
- Other

For the period ended	31 Jan 2019	31 Jan 2018
	$'000	$'000
Segment revenue		
Cash and fixed interest – interest received	89	133
Equities – dividends and options income received	285	246
Private equities – distributions received	23	365
Investment properties – rent received	10,392	9,789
Surf Hardware International business – sale of goods	18,869	16,783
Total segment revenue	29,658	27,316
Segment other income		
Private equities – unrealised fair value/ realised gains/(losses)	547	(234)
Investment properties – unrealised fair value gains/(losses)	(4,609)	1,201
Other	(644)	388
Total other income (loss)	(4,706)	1,355
Total segment revenue and other income	**24,952**	**28,671**
Segment result		
Cash and fixed interest	89	133
Equities	285	246
Private equities	570	131
Investment properties	(1,019)	5,389
Surf Hardware International business	(202)	(595)
Other	(3,106)	(2,172)
Total segment result	(3,383)	3,132
Income tax benefit (expense)	775	(951)
Net profit (loss) after tax	**(2,608)**	**2,181**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

2. SEGMENT INFORMATION (CONTINUED)

Inter-segment revenue and other income

There were no inter-segment revenues and other income during the period.

Revenue from external customers by geographical region

The Group only derives revenue from customers on the Investment Properties and Surf Hardware International business segments.

For the period ended	31 Jan 2019	31 Jan 2018
	$'000	$'000
Australia	17,168	16,130
United States of America	5,687	5,222
Japan	2,661	2,064
Europe	3,745	3,156
Total revenue from external customers	29,261	26,572

As at	31 Jan 2019	31 Jul 2018
	$'000	$'000
Segment assets		
Cash and fixed interest	21,083	5,294
Equities	36,450	36,783
Private equities	4,250	3,449
Investment properties	252,908	256,678
Development properties	14,364	14,145
Surf Hardware International business	17,430	15,691
Unallocated assets	20,166	21,716
Total assets	366,651	353,756
Segment liabilities		
Investment properties	91,245	91,345
Surf Hardware International business	5,930	4,193
Unallocated liabilities	60,153	42,253
Total liabilities	157,328	137,791
Non-current assets by geographical region		
Australia	321,798	324,655
United States of America	6,560	8,016
Japan	424	398
Europe	75	99
Total non-current assets	328,857	333,168

NOTES TO THE INTERIM FINANCIAL STATEMENTS

3. INCOME TAX

	31 Jan 2019	31 Jan 2018
	$'000	$'000
Prima facie tax (benefit) expense on the net profit (loss) at 30% (2018: 30%)	(1,015)	940
Tax effect of:		
(Over)/Under provision prior year	-	(113)
Deferred tax asset not recognised	270	155
Non-deductible expenses	27	27
Franked dividends	(57)	(58)
Income tax (benefit) expense	(775)	951

4. NON-CURRENT INVESTMENT PROPERTIES

	31 Jan 2019	31 Jul 2018
	$'000	$'000
Land and buildings – at fair value	252,908	256,678
At fair value		
Balance at beginning of period	256,678	226,661
Additions	3,277	26,276
Disposal (proceeds)	(1,822)	(896)
Net gain/(loss) on disposal	407	(11)
Transfers in/out	64	297
Amortisation on incentives	(680)	(1,249)
Net gain/(loss) from fair value adjustment	(5,016)	5,600
Balance at end of period	252,908	256,678

	31 Jan 2019	31 Jan 2018
	$'000	$'000
Amounts recognised in profit or loss for investment purposes		
Rental revenue	10,392	9,789
Direct operating expenses from rental generating properties	(4,391)	(3,848)
Direct finance expenses from rental generating properties	(2,411)	(1,753)
Gain/(loss) on revaluation	(4,609)	1,201
Total	(1,019)	5,389

Changes in fair values of investment properties are recorded in other income.

	Valuation Method	Weighted average cap Rate	31 Jan 2019	31 Jul 2018
			$'000	$'000
Sub-regional Shopping Centres (Coffs Central and Port Central)	(a)	6.25%	196,435	199,861
Neighbourhood Shopping Centres (Kempsey Central and Moonee Marketplace)	(a)	7.19%	49,872	48,800
Other Properties	(b)		6,601	8,017
Total			252,908	256,678

NOTES TO THE INTERIM FINANCIAL STATEMENTS

4. NON-CURRENT INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value is based on capitalisation rates, which reflect vacancy rates, tenant profile, lease expiry, developing potential and the underlying physical condition of the centre. The higher the capitalisation rate, the lower the fair value. Capitalisation rates used at 31 January 2019 were estimated by management with reference to each centre's most recent externally prepared valuation.

Where a property is under development, the investment property fair value is based on the fair value of the property "as if complete" less the estimated costs to complete. Development risk (such as construction and letting risks) are taken into consideration when determining fair value of investment property.

(b) Current prices in an active market for properties of similar nature or recent prices of different nature in less active markets.

Sensitivity analysis of sub-regional and neighbourhood shopping centre investment properties held at fair value

At 31 January 2019, a reduction of 0.5% in the capitalisation rate applied to each property would result in an additional gain of $22.2 million in the consolidated statement of profit or loss and consolidated statement of comprehensive income. Similarly, an increase of 0.5% in the capitalisation rate of each property would result in an additional loss of $19.0 million in the consolidated statement of profit or loss and consolidated statement of comprehensive income.

5. BORROWINGS

	31 Jan 2019	31 Jul 2018
	$'000	$'000
CURRENT		
Commercial advance facility – secured	336	336
Bill Payable – secured	1,500	-
Trade facility - secured	1,167	112
Finance lease – secured	-	7
	3,003	455
NON -CURRENT		
Commercial advance facility – secured	496	664
Bill Payable - secured	106,745	91,345
	107,241	92,009

6. RESERVES

	31 Jan 2019	31 Jul 2018
	$'000	$'000 (Restated)*
Capital profits reserve – pre CGT profits	90,503	90,503
Foreign currency translation reserve	189	140
Asset revaluation reserve	1,591	1,591
Investment revaluation reserve – equities	7,746	9,722
Total Reserves	100,029	101,956

* See Note 1 for details regarding the restatement as a result of a change in accounting policy.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

7. RETAINED PROFITS

	31 Jan 2019	31 Jul 2018
	$'000	$'000 (Restated)*
Retained profits at the beginning of the financial period	101,535	101,442
Net profit (loss) attributable to members of Gowing Bros. Limited	(2,607)	6,535
Transfer Realised Gain on equity sales net of tax	672	-
Dividends provided for or paid	(3,218)	(6,442)
Retained Profits at end of the financial period	96,382	101,535

* See Note 1 for details regarding the restatement as a result of a change in accounting policy.

8. EARNINGS PER SHARE (EPS)

	31 Jan 2019	31 Jan 2018
	$'000	$'000
Earnings reconciliation:		
Basic and diluted earnings (Net profit) – Members of Gowing Bros. Ltd	(2,607)	2,182
	Total No.	Total No.
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share.	53,701,233	53,680,259
Basic and diluted earnings per share	(4.9)c	4.1c

At balance date there were no options on issue.

9. NET TANGIBLE ASSET BACKING

	31 Jan 2019	31 Jul 2018
NTA per ordinary share before allowing for tax on unrealised capital gains	$4.23	$4.44
NTA per ordinary share after allowing for tax on unrealised capital gains	$3.81	$3.95

The Group is a long term investor and does not intend to dispose of its investment portfolio.

The Company meets the definition of a Listed Investment Company ("LIC") for taxation purposes. Where a LIC makes a capital gain on the sale of investments held for more than one year and pays tax on this capital gain, the LIC is able to attach to their dividend a LIC capital gains amount, which some shareholders are able to use to claim a tax deduction. The amount that shareholders can claim as a tax deduction depends on their individual situation.

NTA per ordinary share does not include any adjustment for any LIC capital gains amount that may be attached to the Company's dividends at the end of the half-year or in future periods.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

10. FAIR VALUE

(a) Fair value Hierarchy

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: unobservable inputs for the assets or liabilities.

The following tables present the Group's assets and liabilities measured and recognised on a recurring basis at fair value at 31 January 2019 and 31 July 2018.

31 January 2019	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets designed at fair value through other comprehensive income				
Investments – Australian equities	13,945	-	18,234	32,179
Investments – Global equities	-	-	4,271	4,271
Financial assets designated at fair value through profit or loss				
Investments – private equities	-	-	4,250	4,250
Investments – properties	-	-	252,908	252,908
Other assets – designated at fair value				
Freehold - properties	-	-	7,127	7,127
Financial liabilities – designated at fair value through profit or loss				
Derivatives	-	(1,647)	-	(1,647)
Total net financial assets and financial liabilities	13,945	(1,647)	286,790	299,088

31 July 2018	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets designated at fair value through other comprehensive income				
Investments – Australian equities	12,985	-	18,234	31,219
Investments – global equities	-	-	5,564	5,564
Financial assets designated at fair value through profit or loss				
Investments – private equities	-	-	3,449	3,449
Investments – investment properties	-	-	256,678	256,678
Other assets – designated at fair value				
Freehold - properties	-	-	7,148	7,148
Financial liabilities – designated at fair value through profit or loss				
Derivatives	-	(708)	-	(708)
Total net financial assets and financial liabilities	12,985	(708)	291,073	303,350

There were no transfers between level 1, level 2 and level 3 fair value measurements during the half year.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

10. FAIR VALUE (CONTINUED)

The Group has no assets or liabilities measured on a non-recurring basis at fair value in the current reporting period.

(b) Disclosed fair values

For all financial instruments measured at fair value their carrying values approximate their fair values.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period ended 31 January 2019:

	Unlisted Equities	Global Equities	Private Equities	Freehold Properties	Investment Properties	31 Jan 2019
	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance 1 August 2018	18,234	5,564	3,449	7,148	256,678	291,073
Transfer (to)/from level 1	-	-	-	-	-	-
Total gains and (loss) recognised in profit and loss - unrealised	-	-	547	-	(5,016)	(4,469)
Total gains and (loss) recognised in profit and loss - realised	-	-	-	-	407	407
Total gains and (loss) recognised in other comprehensive income	-	(1,519)	-	-	-	(1,519)
Additions including purchases, transfers, tenant incentives, and straight-line rental income net of amortisation and depreciation	-	226	285	(21)	2,661	3,151
Sales proceeds	-	-	(31)	-	(1,822)	(1,853)
Closing balance 31 January 2019	18,234	4,271	4,250	7,127	252,908	286,790

11. DIVIDENDS

	Cents per Share	Total	Date
The following dividends were paid by the company:		$'000	
Final dividend 31 July 2018	6.0c	3,218	13 Nov 2018
Since the end of the period, the directors resolved to pay the following dividend			
Interim dividend 31 January 2019	5.0c	2,690	30 April 2019

Dividends paid or resolved to be paid during the period were fully franked at the tax rate of 30%.

The financial effect of the dividend resolved to be paid subsequent to reporting date has not been brought to account in the financial statements for the half year ended 31 January 2019 and will be recognised in subsequent financial reports.

The Dividend Reinvestment Plan is in place for the interim dividend declared since the end of the period. The last day for the receipt of an election for participation in the Dividend Reinvestment Plan is 10 April 2019.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

12. INTERESTS IN JOINT VENTURES

The Group also has an interest in the following joint venture operation:

	% OF OWNERSHIP HELD AT END OF PERIOD		CONTRIBUTION TO NET PROFIT (LOSS)	
	31-Jan-19	**31-Jul-18**	**31-Jan-19**	**31-Jan-18**
	%	**%**	**$'000**	**$'000**
Regional Retail Properties	50	50	68	60
Total	**50**	**50**	**68**	**60**

13. ISSUED AND QUOTED SECURITIES AT THE END OF CURRENT PERIOD

	TOTAL NO.
Ordinary Securities:	
Opening Balance	53,632,915
Dividend Reinvestment Plan – Shares issued	158,256
Closing Balance	53,791,171

14. COMMENTS BY DIRECTORS

Description of event(s) since the end of the current period which has had a material effect and is not already reported elsewhere in this financial report.

Nil.

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

The Group has sufficient franking credits ($5.38 million) to fully frank all dividends that have been declared.

15. COMMITMENTS FOR EXPENDITURE

Capital commitments

The Group has uncalled capital commitments of up to $0.9 million in relation to private equity investments held at period end.

The Group has entered into construction contracts for development works at the Kempsey Central Shopping Centre. The Group has capital commitments of $5.0 million in relation to these development works at period end.

16. SUBSEQUENT EVENTS

The Group has announced a dividend since period end which has been included in Note 11.

No other matters or circumstances have arisen which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

The directors declare that, in the opinion of the directors:

1. the financial statements and notes set out on pages 19 to 34 are in accordance with the Corporations Act 2001, including:

    (a) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001, and;

    (b) giving a true and fair view of the Group's financial position as at 31 January 2019 and of its performance for the half year ended on that date.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.

J. E. Gowing

Managing Director

22 March 2019

Auditor's Independence Declaration

To the Directors of Gowing Bros. Limited:

As lead auditor for the review of the consolidated financial report of Gowing Bros. Limited for the half-year ended 31 January 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Gowing Bros. Limited and the entities it controlled during the half-year.

Sydney, NSW	**S Grivas**
22 March 2019	**Partner**

Independent Auditor's Review Report To The Members Of Gowing Bros. Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Gowing Bros. Limited ("the Company") which comprises the consolidated statement of financial position as at 31 January 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 January 2019 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 January 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

S. Gr

HLB Mann Judd
Chartered Accountants

S Grivas
Partner

Sydney, NSW
22 March 2019