151st ANNUAL REPORT

31 July 2019

EST 1868

GOWING BROS

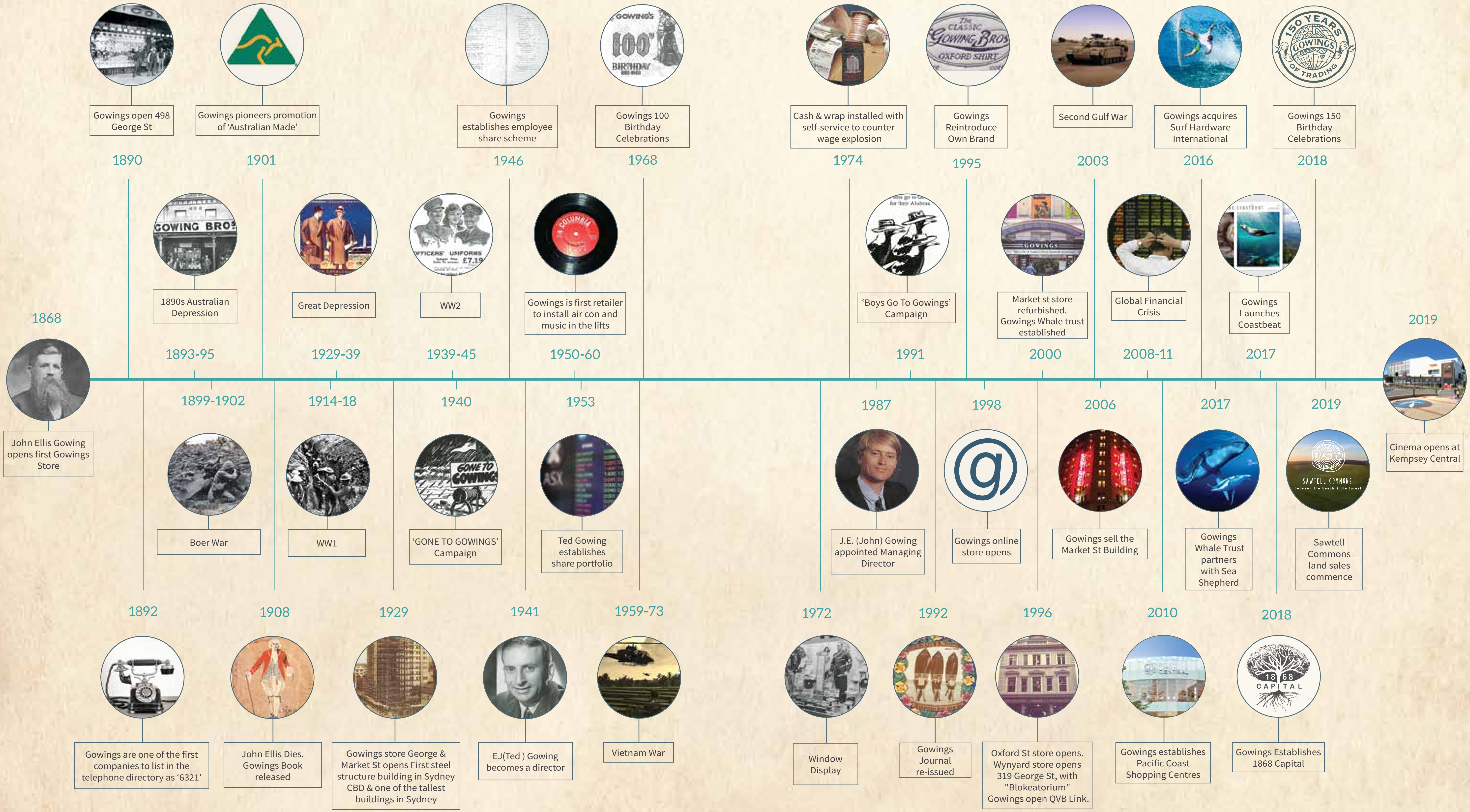
Corporate Directory

Directors	Professor Jonathan West (Chairman) Mr. John Gowing (Managing Director) Mr. Sean Clancy (Non-executive Director) Mr. John Parker (Non-executive Director)
Associate Directors	Mr. James Gowing Mr. Ellis Gowing
Secretary	Mr. Ian Morgan Mr. Robert Ambrogio
Stock Exchange Listing	The Australian Securities Exchange Ticker Code: GOW
Registered Office	Suite 21, Jones Bay Wharf 26 – 32 Pirrama Road Pyrmont NSW 2009 Phone: 61 2 9264 6321 Fax: 61 2 9264 6240 Email: info@gowings.com
Share Registry Office	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney NSW 2000 Phone: 1300 855 080 Fax: 61 2 8234 5050
Auditors	HLB Mann Judd (NSW Partnership) Level 19, 207 Kent Street Sydney NSW 2000 Phone: 61 2 9020 4000
ABN	68 000 010 471
ACN	000 010 471

Contents

EST 1868
GOWING BROS.LTD

History and Innovation 1868 - 2019



About Gowings

Net Assets

£92,781	$3.4M	$191M
1928	1988	2019

Investment Objective

The Company's focus is to preserve and grow the value of its underlying financial and real assets and to grow net income from ordinary activities as the principal source of income to pay ordinary dividends.

Investment Philosophy

On 31 July 2019 Gowings completed its 151st year of operations. Gowings is an investment company whose investment horizon is inter-generational. In fact, Gowings has had only four managing directors since its establishment in 1868. Being a shareholder in Gowings is for investors who share a similar investment philosophy and who wish to invest alongside the Gowings family.

An important investment philosophy is to generate sustainable and reliable dividends that can provide income for shareholders.

Investments are made across different asset classes to take advantage of changing economic cycles.

The Company's investment portfolio adjusts as opportunity and risk are managed. Gowings provides investors with access to opportunities not normally available to retail investors. The Company does not limit itself to ASX-listed equities, to any single national boundary or currency, or any particular industry type.

Risk is actively managed through portfolio selection, natural hedges, diversity, and conservative gearing. The Company does not attempt to reduce risk and preserve capital by investing only in so-called "low-risk" assets, but rather seeks to offset risk with a balanced and diverse portfolio of different asset classes.

As an inter-generational investment vehicle, the Company does not focus on the day-to-day ASX share price, but rather on preserving and increasing the long-term value of underlying assets, which are the ultimate source of income and growth.

At Gowings, the Board of Directors are shareholders, giving rise to our commitment 'Investing together for a secure future'.

Transparent Communication

As an investor itself, Gowings values transparent information. An audit review is conducted half-yearly and formal audited financial statements are provided annually along with regular informal company updates.

All shareholder communication can be accessed from the Company's website www.gowings.com or on the ASX's website www.asx.com.au.

Investing in Gowings

Gowings shares can be bought or sold through the Australian Securities Exchange under the ticker code GOW.

Gowings is internally managed and does not pay performance fees to an external manager in relation to the administration of the company. There are no entry or exit fees and no trailing commissions for investors in Gowings.

Our Purpose

Enriching people's lives since 1868

Our Values

Integrity

Customer First

Quality & Value

We're Australian

Our People Matter

Everyone's Business

Endless Possibilities

Environmentally Aware

Common Sense Pioneers

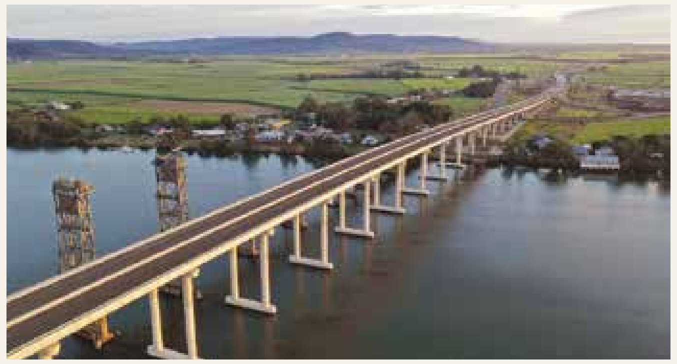
Working & Investing Together

Our North Coast Commitment: 'Steady, Constant Growth'

Gowings varied interests in the North Coast continue to benefit from the ongoing substantial infrastructure investment by Local, State and Federal Governments. The North Coast Regional Plan 2036 is the State Government's blueprint for the development of the North Coast over the next two decades and it envisages a population increase of 76,200 and more than 46,000 new homes being built. Here's a snapshot of what's happening and planned in the region.

Cultural and civic space in the CBD

Coffs Central has always formed the cornerstone of the ongoing revitalisation of Coffs Harbour CBD, a vision led by Gowings in partnership with CHCC and the CBD master planning committee. So the recent news that the $76.5 million development will proceed and be located at Gordon St in the Coffs CBD, adjacent to Coffs Central shopping centre, is very positive for Gowings. The building will include a Regional Gallery, Central Library, Regional Museum, Council offices and car parking. An independent economic assessment has identified a host of benefits to the CBD including financial gains over a 30-year period totalling $57m and 31 ongoing jobs.



Coffs Harbour to Ballina Upgrades

The Australian and NSW governments are funding the $4.9 billion Woolgoolga to Ballina upgrade to provide 155 kilometres of safer four-lane divided road. Completion in 2020 will improve connectivity up and down the coast, reduce travel time to just 3 hours between Brisbane and Coffs Harbour and thus increase the visiting population, which can only be a positive for all Gowings assets in the region. An example of the new connectivity is the impressive bridge over the Clarence River at Harwood which is now open. It's 1.5 kilometres long and four lanes wide and eliminates the need for highway motorists to stop while the existing Harwood bridge is raised for maritime users.

129km	26km	25min	350	3285
under construction	open to traffic	reduced travel time	fauna connections	total workers

Coffs Harbour Health Campus upgrade

This major NSW Health hospital extension is well under way and once completed will total an investment of $194 million. Planning consent was granted in February and contractors are expected to complete the four storey expansion in 2021. The Clinical Service building will open by the end of 2020. The continued provision of world class healthcare is a positive drawcard to those considering a move to the region.

Jetty foreshore rejuvenation

A new planning phase for the rejuvenation of the Coffs Harbour foreshores was announced in May this year by State member for Coffs Harbour Gurmesh Singh. Development is proposed for the railway land along Jordan Esplanade and this is good news for Gowings as the Solitary 30 mixed use development site is positioned within the Jetty precinct and only a few blocks back from the foreshore.

Port Macquarie Airport upgrades

The nearly $10 million upgrade of the Port Macquarie Airport Terminal is expected to be complete by the end of 2019. The upgrade will double the existing floor space, increase service capability and provide a more contemporary facility for passengers. Opening up Port Macquarie to increased visitation via air travel will positively impact Port Central.

Clarence Correctional Centre

The Clarence Correctional Centre located approximately 12.5 kilometres southeast of Grafton, will accommodate 1,700 inmates. Benefits of the project include about $560 million injected into the local economy over the next 20 years and the creation of up to 1,100 construction jobs and 600 operational jobs. Project completion is expected by 2020. The additional jobs created by this project should translate to increased visitation to Kempsey Central and the soon to open cinema.

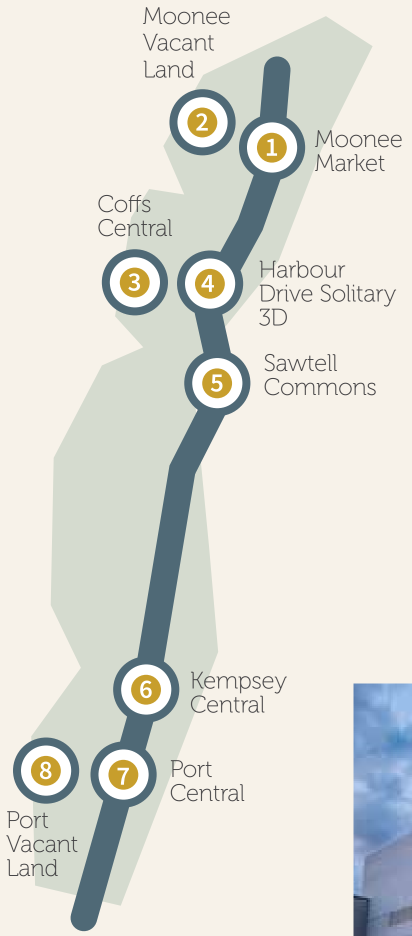
Coffs Harbour Bypass

The Australian and NSW governments are funding the 14 kilometre Coffs Harbour bypass project. The bypass seeks to improve connectivity and it will traverse the foothills of Coffs and re-connect at Korora. In response to community feedback, design changes include lowering the height of the bypass and incorporating three tunnels. The approx. $1.2billion project is earmarked for a 2020 start and once completed will benefit Moonee Market significantly as the first off ramp for amenities and potentially fuel, north of Coffs Harbour.

'The Clarence Valley, in particular Yamba, Maclean and Grafton, is seeing a continued increase in workforce due to the Pacific Highway upgrade and new Clarence Correctional Centre. These infrastructure works have drawn a workforce nationally and locally and brought many workers across state lines'

Source: Herron Todd White Property Report September 2019

Our North Coast Commitment: 'Steady, Constant Growth'



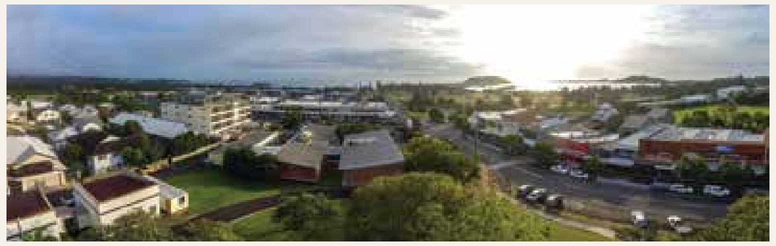
Gowings strategy is to invest alongside these infrastructure upgrades and benefit from the resultant 'steady, consistent growth' of the region.

1, 2

In Moonee Beach we have the dominant neighbourhood centre Moonee Market and mixed use vacant site adjacent to the shopping centre.

3, 4, 5

In Coffs Harbour we have the CBD shopping centre Coffs Central with its highly performing Kmart anchor; the mixed use Solitary 30 site that aligns with the Council's Jetty foreshore vision and the Sawtell Commons residential development site experiencing strong stage 1 sales.



6

In Kempsey we have the CBD shopping centre Kempsey Central with its $7 million rooftop cinema complex opening later this year.

7, 8

In Port Macquarie we have the CBD shopping centre Port Central and have received development approval for the adjacent vacant block.

Gowings media initiative 'Coastbeat' supports our investments on the North Coast and showcases the best of local life, economy and events through print and digital media platforms.

Population Growth *
2016-**2036**

76,200

+46,000
more homes required

Tourism Impact
2016

$3.7b
Regional Economy

12.2m
Tourist Visits

3RD
Most popular Australian tourist destination by overnight stays

Regional Airport Passengers
2006-**2016**

250%
Increase

1,064,100(2016)

304,008(2006)

New Dwelling Construction
2016-**2036**

$11b
Projected Gross Regional Product Contribution

Pacific Hwy Freight Transport
2011-**2031**

83%
Increase

* Source: North Coast Regional Plan 2036, published in 2017 by NSW Government Planning & Environment

CASE STUDIES

Sawtell Commons

'Not surprisingly, Coffs Harbour has experienced very strong capital growth and activity in the vacant land market over the recent boom period. There is never an oversupply in the market at any one time given the natural constraints of supply, however the increased demand over the past two to three years has seen values rise significantly. It has not been uncommon in developing estates such as North Sapphire Beach, Woolgoolga and Sandy Beach for a high proportion of sales to occur off the plan to either spec builders, owner-occupiers or investors, with values rising five to ten per cent as each stage becomes available for sale. Further expansion of large land tracts will be required moving forward.'

'Source: Herron Todd White Property Report September 2019'

38.49 Hectares

Sawtell Commons was a greenfield site bought by Gowings in 2016 for residential development and is set over a picturesque 38.49 hectares, bordering the Bongil Bongil National Park, with direct access to Bonville Creek.

It's superbly placed with vibrant Sawtell Village only 3kms away, easy access to the Pacific Highway and Coffs Harbour just a ten minute drive. It has a unique appeal in its location between the mountains and the sea and is the last undeveloped land on the ocean side of the highway in the region. The average block size is 640m2 and all blocks feature a great orientation and planned access to cycleways and pathways, connecting natural vegetation areas to creek reserves and parklands. A children's playground and community garden will feature in the parkland areas.

There has been strong market interest from the outset, the site sales office is busy with enquiries and the secondary sales office in Coffs Central is due to open by the end of 2019. The stage 1 Display Village is fully sold to Home Building Partners and is now under construction with Coral Homes, Perry Homes, Stroud Homes, Brian Hopwood, Adenbrook Homes and Toscan Homes on board. The Stage 2 pre-sales release commenced in July with pricing between $300-350,000 and over 10% of blocks are already sold at time of writing.

Stage 2 subdivision works are scheduled to commence in the first quarter of 2020, subject to approvals. Gowings are awaiting a positive determination of the new DA for 222 lots from the JRPP and Coffs Harbour Council, which is currently scheduled for determination in mid-October.

CASE STUDIES

Riverside Movies: The Kempsey Cinema Project

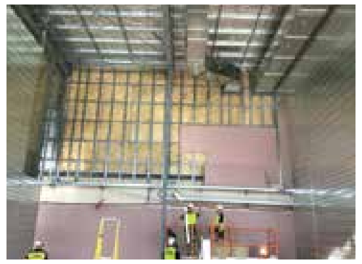
The Kempsey Cinema, which is being constructed on the roof of the Kempsey Central shopping centre further cements Gowings continued investment interest in the mid north coast of New South Wales. The project was conceptualised over a number of years resulting in a Voluntary Planning Agreement being entered into in 2018 with the Kempsey Shire Council. In addition, an Agreement for Lease was entered into with Majestic Cinemas who will become the operator of the facility for a period of 10 years from its opening date which is expected to be November 2019.

4	450	easy	increase
screen cinema	seats	access	visitors

The project was a result of council investigations and their desire to drive economic growth within the LGA. The Commonwealth Government has also financially contributed via the National Stronger Regions Fund to further promote economic development in Australian regions. We are confident that the cinema will prove a valuable addition to the Kempsey community and visitors to the region.

2018

Works commenced in September 2018 and as a result, the Country Target lease was surrendered some 12 months prior to their lease expiry. The leasing of the new, reconfigured space is now underway.



2019

The state of the art 4-screen cinema facility has been constructed on the roof of the shopping centre. Access will be via a centralised stair case and lift access will be available from the under-croft car park. As well as welcoming Majestic Cinema as a new tenant to Kempsey Central, we are confident the addition of the cinema will drive increased visitation, foot traffic and sales to the shopping centre as a whole.

The project is an example of multiple stakeholders successfully contributing to a local infrastructure project and common goal. Participants included: Kempsey Shire Council, Commonwealth Government, Gowing Bros, O'Donnell & Hanlon Builders and Majestic Cinemas.

Managing Director's Review of Operations

The year ended 31 July 2019 has been one of volatility and uncertainty both on the international and domestic stage. A federal and state election in NSW, a building trade war between USA and China and a significant, market downturn in official interest rates have combined to move the economy into unchartered territory.

The year ended 31 July 2019 has been one of volatility and uncertainty both on the international and domestic stage.
A federal and state election in NSW, continued weakness in the housing market, the building trade war between USA and China, and a significant, market downturn in official interest rates have combined to move the economy into unchartered territory.
This has had an impact on both consumer and investor sentiment, leading to a slowdown in retail sales for a number of retailers at our shopping centres and a decrease in market value for sub-regional shopping centres, as investors sit on the sidelines while there is an oversupply of retail properties to market.

Bearing the above in mind, the Directors have revalued our portfolio of property downward by $28.5 million during the year. We have also revalued to market our fixed interest rate hedge downward by $3.3 million. The combined impact of these non-cash revaluations is a $31.8 million expense in the current year's profit and loss, which is the predominant reason for a reported statutory loss after tax of $19.4 million.

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 final dividend to 5c, fully franked. The dividend re-investment plan will be suspended for this dividend.

Since year end, conditions have improved, with the new federal government's fast action on reducing personal income tax rates together with the Reserve Bank's two interest rate cuts positively impacting both consumer and investor sentiment.

Operationally the company is in good shape, underlying EBITDA of the Pacific Coast Shopping Centre portfolio has improved as contributions from new retailers at Moonee Market and Coffs Central were brought to account. Investments in 5V and Our Innovation Fund also delivered a positive impact as underlying investments were revalued upward by $1.1 million.

At Sawtell Commons construction of the first stage of eight lots is complete and all eight lots have been sold with settlement due in the next few months. Pre-sales have commenced well for stage 2 with three lots sold to date. The amended DA for 222 lots, which is an update of the existing, approved DA for 165 lots, is due to go to determination at JRPP (Joint Regional Planning Panel) in October. A positive determination will allow us to ramp up the pre-sales and construction programme.

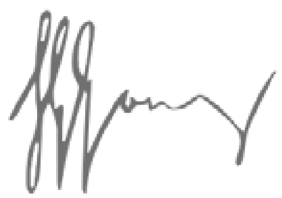
Our mixed-use development site, Solitary 30, on Harbour Drive in the Jetty Precinct at Coffs Harbour has received final approval from Coffs Harbour Council to demolish the existing building and infrastructure. We have appointed architects DFJ to work with us to develop an exciting new mixed-use development for the site.

At Kempsey, the new cinema construction which is part financed through government grants is now nearing completion. 'Riverside Movies' is scheduled to open later this year.

Activity at Port Central continues to be under pressure, largely due to the poor performance of Target and IGA our two major retailers. However significant progress has been made during the year on the repositioning of Port Central from a sub-regional shopping centre to a regional shopping centre. Port Macquarie Hastings Council (PMHC) and JRPP approval of a new DA submitted on council's adjacent land allowed us to exercise our option to acquire that land from PMHC for '$1.10'. Subsequently we have received a realistic intention to lease from Woolworths to join our retailers at Port Central. Detailed feasibility work continues.

As part of our continuing strategic review and continuing capital expenditure commitments, the directors decided during the second half to canvas the market for expressions of interest for the Moonee Market shopping centre.
The campaign conducted by CBRE has generated strong interest for the strategically well positioned neighbourhood centre.
We anticipate being in a position to make a decision in relation to the sale in the next few months.

We continue to work on improving the performance and realising the potential of all our investments, however as you can see from the current year's performance, a strong result from the underlying business can be overwhelmed by non-cash movements in valuation metrics. We are cautiously optimistic for the next year with Sawtell Commons coming online, continued leasing at Coffs Central, the completion of Riverside Movies at Kempsey Central and the establishment of 1868 Capital.



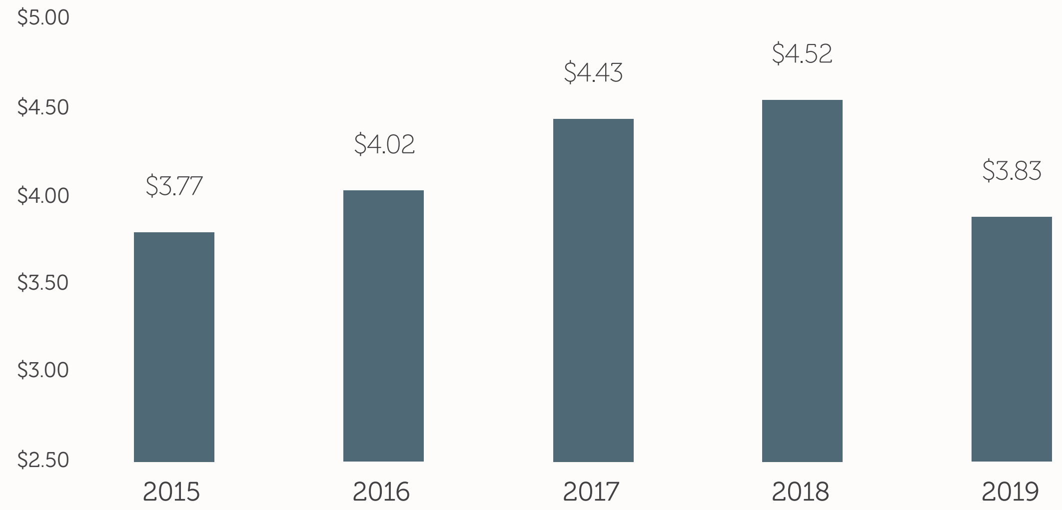
J. E. Gowing
Director
Sydney

Managing Director's Review of Operations

On behalf of the Board of Directors, I am pleased to comment on the results for the year ended 31 July 2019.

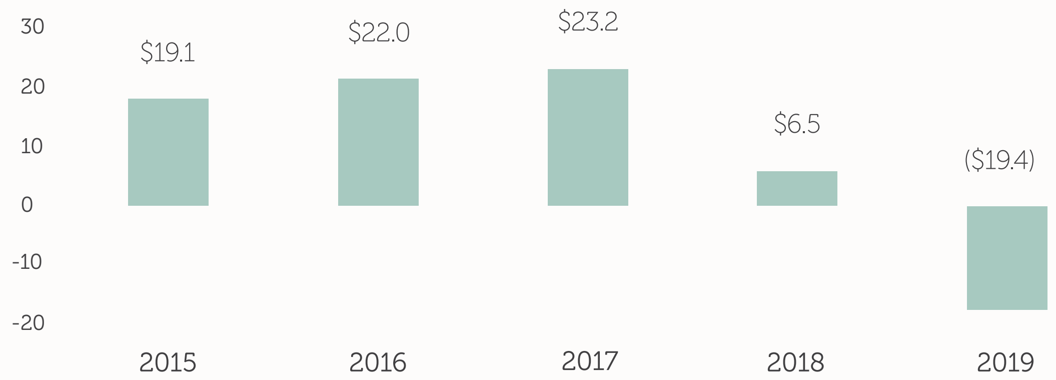
Financial Review

Net Assets per Share



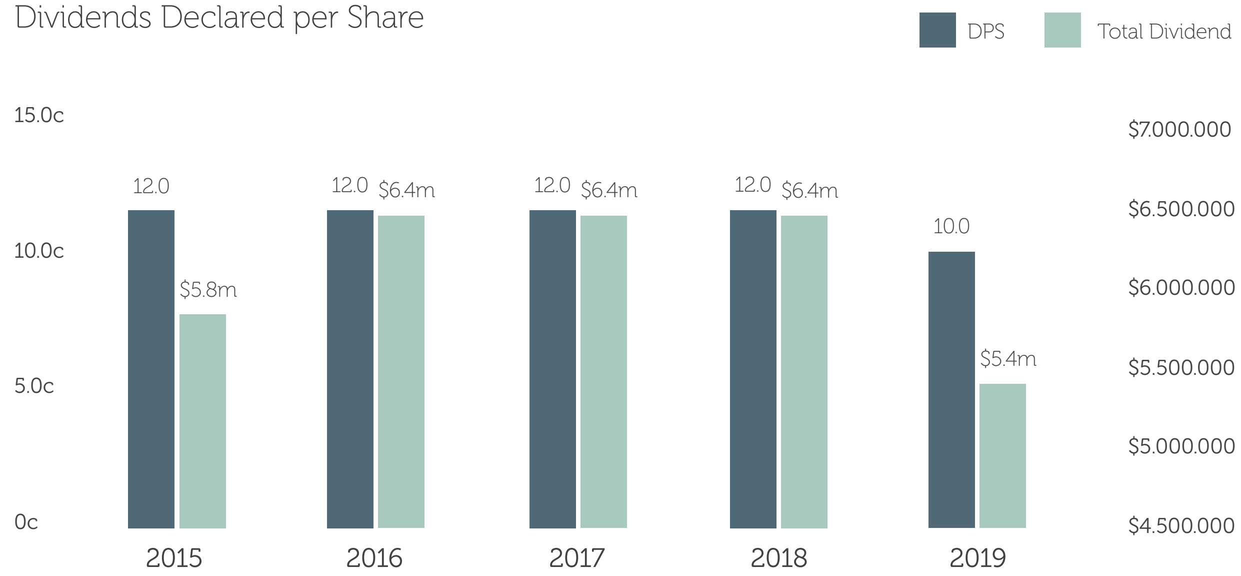
Net assets per share before tax on unrealised gains on equity, investment property, and freehold property decreased (15.3%) to $3.83 as at 31 July 2019, mainly due to the revaluation of the Pacific Coast Shopping Centre portfolio and the fixed interest rate hedge. Total Shareholder Return was (12.8%) including the decrease in net assets per share and the 11.0c dividends paid to Shareholders during the year.

Net Profit / (Loss) After Tax ($million)



Net Profit / (Loss) After Tax for the year ended 31 July 2019 includes underlying income from ordinary activities such as rent, interest, dividends and revaluations of the investment protfolio. This year's profit / (loss) was impacted by the revaluation of the Pacific Coast Shopping Centre Portfolio and the fixed interest rate hedge.

Dividends Declared per Share



The Company declared a total of 10.0c in fully franked dividends for the 2019 year. The directors have suspendeded the dividend reinvestment plan for the final declared dividend to be paid on 31 October 2019.

The Company has maintained a prudent approach to dividends given the capital requirements of the Company having various development and investment opportunities currently under consideration.

Key Metrics

For the year ended	31 July 2019	31 July 2018	31 July 2017	31 July 2016	31 July 2015
Net Assets	$191.1m	$216.0m	$214.0m	$198.6m	$186.8m
Net Assets per Share[2]					
- Before tax on unrealised gains[1]	$3.83	$4.52	$4.43	$4.02	$3.77
- After tax on unrealised gains[1]	$3.54	$4.03	$3.99	$3.70	$3.47
Net profit / (loss) after tax	($19.4)m	$6.5m[3]	$23.2m	$22.0m	$19.1m
Earnings / (loss) per Share	(36.07)c	12.18c[3]	43.29c	40.92c	35.48c
Dividends per Share - Paid	11.0c	12.0c	12.0c	12.0c	12.0c
Total Shareholder Return	(12.8)%	4.7%	13.2%	9.8%	16.3%

[1]Unrealised gains on equity, investment property and freehold property.
[2]Net assets per share as at 31 July 2015 have been restated for comparative purposes to reflect the 1 for 10 bonus issue during the 31 July 2016 financial year. Dividends per share have not been adjusted.
[3]See Note 1 of the financial report regarding the restatement as a result of a change in accounting policy.

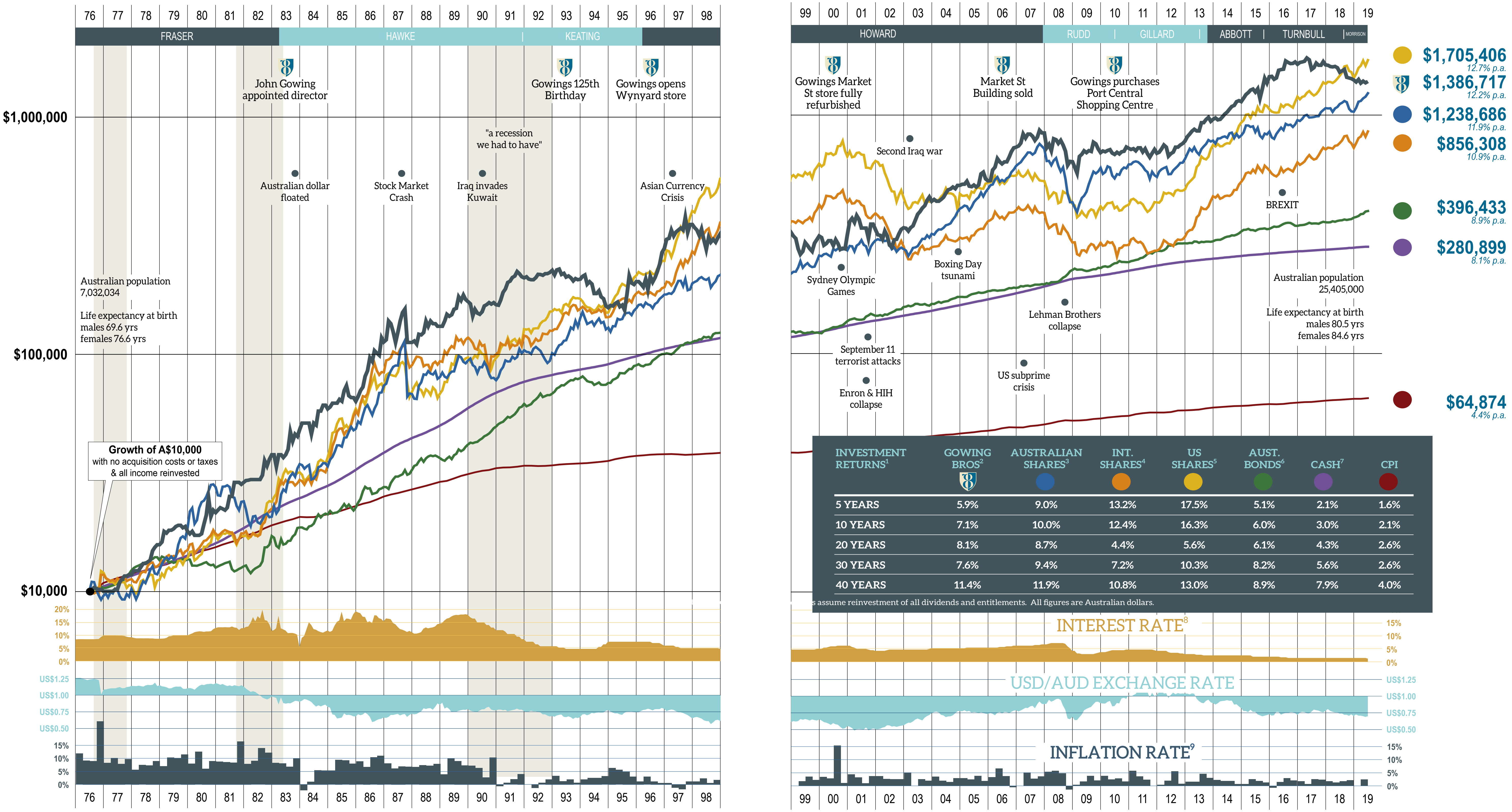
Shareholder Returns

The graph on the following page is compiled by Bloomberg and Andex Charts illustrating the growth in value of Gowings as an investment (traded share price and dividends reinvested) over 40 years in relation to other investments. An investment of $10,000 in Gowings in 1976 would be worth $1,386,717 in 2019.

A Strong Investment Over Time

EST 1868
GOWING BROS.LTD

"Investing Together for a Secure Future"
- John Gowing -



INVESTMENT RETURNS[1]	GOWING BROS[2]	AUSTRALIAN SHARES[3]	INT. SHARES[4]	US SHARES[5]	AUST. BONDS[6]	CASH[7]	CPI
5 YEARS	5.9%	9.0%	13.2%	17.5%	5.1%	2.1%	1.6%
10 YEARS	7.1%	10.0%	12.4%	16.3%	6.0%	3.0%	2.1%
20 YEARS	8.1%	8.7%	4.4%	5.6%	6.1%	4.3%	2.6%
30 YEARS	7.6%	9.4%	7.2%	10.3%	8.2%	5.6%	2.6%
40 YEARS	11.4%	11.9%	10.8%	13.0%	8.9%	7.9%	4.0%

s assume reinvestment of all dividends and entitlements. All figures are Australian dollars.

Sources: Australian Bureau of Statistics, ASX Limited, Bloomberg Finance L.P., Commonwealth Bank of Australia, Melbourne Institute of Applied Economic and Social Research, MSCI Inc., Reserve Bank of Australia, Standard & Poors, Thomson Reuters.
Notes: 1. Per annum returns to 30 June 2019. 2. Gowing Brothers Total Return data calculated by Bloomberg. 3. Index prior to January 1980 is the MSCI Australia Gross Total Return Index. From January 1980 the index is the Standard & Poors ASX All Ordinaries Accumulation Index. 4. MSCI World ex-Australia Gross Total Return Index. 5. S&P500 Total Return Index in AUD. 6. Data used in the construction of the index prior to January 1977 to provided by the Reserve Bank of Australia. From January 1977 to October 1989 the index is the Commonwealth Bank All Series Greater than 10 Years Bond Accumulation Index. From October 1989 the index is the Bloomberg AusBond Composite 0+ Yr Index. 7. Data used in the construction of the index prior to March 1987 provided by the Reserve Bank of Australia. From March 1987 the index is the Bloomberg AusBond Bank Bill Index. 8. Interest Rate prior to July 1981 is a short-term Government Bond rate. From July 1981 the interest rate is the Reserve Bank of Australia's Official Cash Rate. 9. Annualised rate of inflation.

Disclaimer: The information contained herein is intended for informational purposes only. It is not intended as investment advice, and must not be relied upon as such. No responsibility is accepted for inaccuracies. Past performance does not guarantee future returns.

Managing Director's Review of Operations

Profit and Loss Statement

For the year ended	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
Net Income from Ordinary Activities		
Interest income	256	219
Investment properties	7,372	8,119
Equities – Dividend Income	726	618
Managed Private Equities	82	449
Surf Hardware International	804	821
Total Net Income from Ordinary Activities	**9,240**	**10,226**
Head Office Expenses		
Administration, public company and other	4,280	3,686
Borrowing Costs	470	-
Operational Profit	**4,490**	**6,540**
Gains / (losses) on sale or revaluation		
Investment properties – unrealised	(28,454)	5,600
Investment properties – realised	410	(11)
Managed private equity – unrealised	1,228	(148)
Derivatives (Fixed Interest Rate Hedge) - unrealised	(3,319)	(418)
SHI Subsidiary Acquisition		
Acquisition Costs	-	(55)
SHI - Consolidation acquisition cost of sales adjustment	-	(512)
Other		
Consulting Costs	(154)	(438)
Borrowings Break Costs	-	(1,790)
Other Costs	(12)	(72)
Other Income	24	28
Profit / (Loss) Before Tax	**(25,787)**	**8,724**
Income tax benefit / (expense)	6,384	(2,189)
Profit / (Loss) After Tax	(19,403)	6,535

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

Commentary

The **Company's focus** is to preserve and grow the value of its underlying financial and real assets and for Net Income from Ordinary Activities to be the principle source of income to pay ordinary dividends.

Total Net Income from Ordinary Activities of $9.2 million was 9.6% lower than the prior corresponding period and relates to the reduction in investment property income due to increase in borrowing costs associated with loans to finance the redevelopment of Centres in prior year. There was also a reduction in distributions received during the year from private equity fund investments.

Total Head Office Expenses of $4.75 million were 29% higher than the prior year and were largely due to an increase in employee expenses and borrowing costs associated with funds drawn down to fund Sawtell Commons development works and also to fund listed equity investments.

Investment properties – unrealised loss of $28.5 million for the current year was due to the revaluation of the Pacific Coast Shopping Centre portfolio.

Derivatives (Fixed Interest Rate Hedge) - unrealised of $3.3 million was due to the revaluation required of the accounting standards of the fixed interest rate hedge.

Managing Director's Review of Operations

Gowings at a Glance (at Directors' Valuation)

	31 July 2019 $'000	31 July 2018 $'000
Strategic Investments		
Surf Hardware International (at cost)	16,000	16,000
Boundary Bend Limited	14,834	14,834
Carlton Investments	6,579	5,648
DiCE Molecules	2,411	2,237
BBBSA Finance	2,400	1,400
Murray Darling Food Company	2,157	2,319
NSX Limited	2,100	-
Event Hospitality Group	1,494	1,654
Phalla Pharma Limited / TPI Enterprises Limited	1,406	1,363
Hydration Pharmaceuticals	1,393	2,665
Hexima	949	749
Blackfynn	403	403
EFTsure	358	333
Power Pollen Accelerated Ag Technologies	260	260
Other listed investments	5,679	4,318
Total	58,423	54,183
Private Equity Funds		
Five V Capital	1,743	1,242
OurCrowd Australia	1,375	1,141
Our Innovation Fund	1,303	750
Other Private Equity Funds	486	316
Total	4,907	3,449
Pacific Coast Shopping Centre Portfolio		
Sub-regional shopping centres	177,991	199,861
Neighbourhood shopping centres	47,640	48,800
Borrowings	(89,745)	(89,745)
Total	135,886	158,916
Other Direct Properties		
Sawtell Commons - residential subdivision	11,500	11,500
Solitary 30 - Coffs Harbour development land	3,317	3,200
Other properties	15,249	16,850
Borrowings	(1,425)	(1,600)
Total	28,641	29,950
Cash and Other		
Cash	9,754	4,065
Tax liabilities	(9,859)	(6,200)
Surf Hardware International consolidation impact[1]	415	(991)
Fair value impact of Sawtell Commons – residential subdivision[2]	(380)	(2,118)
Other assets & liabilities	(20,991)	1,410
Total	(21,061)	(3,834)
Net assets before tax on unrealised gains on equities and investment properties	206,796	242,664
Provision for tax on unrealised gains on equities, investment and direct properties	(15,672)	(26,699)
Net assets after tax on unrealised gains on equities and investment properties	191,124	215,965

[1] Difference between the investment in Surf Hardware International (at cost) and net assets attributable to the group on consolidation.

[2] Fair value of property is based on directors' valuation; however, the property is recorded at cost in the statement of financial position as required by Australian Accounting Standards.

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Gowings Investment Diversity

LISTED INVESTMENT COMPANIES ($12.2 M)

- Carlton Investments
- Djerriwah Investments
- Australian Foundation Investments
- ARGO Investments
- Milton Investments
- Diversified United Investments
- WAM Capital
- BKI Investments

INNOVATION – MANAGED FUNDS ($4.4 M)

- Five V Capital
- OurCrowd Australia
- Our Innovation Fund

DEVELOPMENT PROPERTIES ($14.8 M)

- Sawtell Commons
- Solitary 30

BIO AGRICULTURE ($0.3 M)

- Power Pollen

AGRI-BUSINESS / GROWING ASIAN MIDDLE CLASS ($17.0 M)

- Boundary Bend
- Murray Darling Food Company

GLOBAL BRANDS CONSUMER FOCUS ($18.9 M)

- Surf Hardware International
- Hydration Pharmaceuticals
- Event Hospitality

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SUPPLY CHAIN DISRUPTION ($0.3 M)

- Casper

GLOBAL PHARMACEUTICALS ($1.4 M)

- Phalla Pharma

BIOTECH HEALTH ($3.8 M)

- Hexima
- Blackfynn
- DiCE Molecules

INVESTMENT PROPERTIES – RETAIL ($225.6 M)

- Port Central
- Coffs Central
- Kempsey Central
- Moonee Market

FINTECH/FINANCIAL DISRUPTION ($4.9 M)

- BBBSA Finance
- NSX
- EFTSure

Managing Director's Review of Operations

Pacific Coast Shopping Centre Portfolio

Port Central

Capitalising on the success of Port Central's positioning, the leasing remix strategy achieved strong results for the period and the centre welcomed Rockmans, Tree of Life, Lemon Tree Massage, The Eyebrow Bar and The Clubhouse Café. Expansions include a double sized format for the male fashion powerhouse Connor and re-fits are underway to update Williams and House to the latest company formats. Certain centre upgrade projects are currently being reviewed by Gowings, including a new food precinct, upgraded centre entry locations and additional parking levels.

In April 2019, Gowings received DA approval for the development land adjacent to Port Central (99 William Street) and the ownership of the site has now formally transferred from the vendor to Gowings. The arrangements pertaining to the site require Gowings to provide 150 public car spaces for community benefit and this development must be carried out within 5 years. Gowings continue to work with major retailers and stakeholders to investigate the opportunity to amalgamate this development site with the Port Central shopping centre.

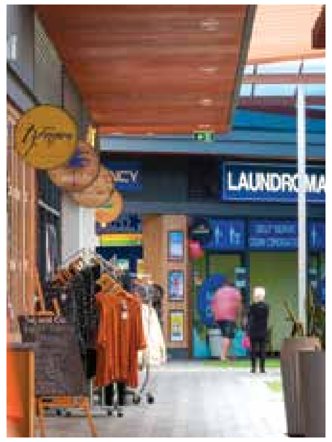
Coffs Central

As a result of the recent $35 million development upgrade of Coffs Central the centre has been awarded a five and a half star Nabers energy rating. Kmart's first full year of trading is well above expectations, trading at more than double its DDS predecessor on the same site.

The leasing campaign during the year welcomed bcu, Endota Spa, Mister Minit, National Hearing Centre, and Laserclinics Australia, while Officeworks also joined the centre in November 2018 taking the new southern corner tenancy on a short-term basis until early 2020. It remains an ongoing priority for the business to lease the remaining vacant tenancies.

Gowings continue to evaluate the economic options of activating the DA approved additional 5 floors and rooftop development on the new building. A hotel, commercial or residential opportunities are all being considered.

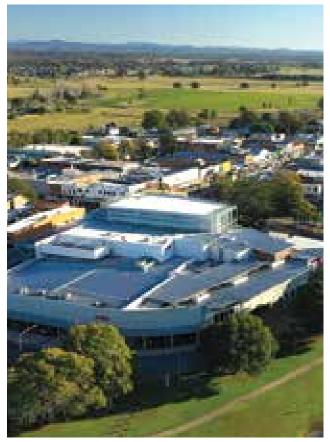
Moonee Market



Moonee Market upgrade works were completed at the start of the year. The new amenities, entrances, signage, mall tiling, food court and flyover roof to the mall areas have facilitated strong foot traffic and sales growth. Moonee Market is a dominant convenience neighbourhood centre, it is in excellent repair, is 90% leased and presents well for customers and visitors to the region. As such, Gowings engaged CBRE to market the centre for sale via an Expression of Interest. At the time of writing, early reports indicate that there is strong interest in quality assets from both local and interstate investors.

Gowings continues to explore development opportunities for the adjoining vacant lot of 9,000sqm including retirement living, service station and mixed-use options. We await the outcome of a ruling by the Land & Environment Court on a proposed service station DA and are hopeful of a positive result, which could further strengthen the centres dominant convenience positioning.

Kempsey Central



The construction of the four screen Cinema on top of Kempsey Central is nearing completion with an estimated launch date of November 2019. The centre continues to trade well through these works with minimal disruption. Gowings looks forward to launching the cinema to the community and is collaborating closely with the operator Majestic Cinemas and Kempsey Shire Council to showcase local stars of entertainment and sports as part of the opening event. The cinema will drive increased foot traffic and sales by attracting the local population and visitors.

Gowings have also commenced due diligence to provide our retailers with an alternative electricity supply via an Embedded Network and Solar power, to deliver them greater cost savings.

Managing Director's Review of Operations

Strategic Equity Investments

Surf Hardware International ($16 M)

SHI performed well during the period, with strong sales growth recorded compared to the prior year.

Regionally, the US business recorded encouraging results, with sales ahead of the prior year as the recently installed management team drive the business forward. Sales in Australasia and Europe were also ahead of last year and the Japanese business continued to perform strongly.

Strong sales were recorded in FCS premium retail fins and the FCS leash category also saw growth driven by the continued momentum of the FCS Freedom Leash. FCS luggage sales increased compared to the prior year following the relaunch of the bags, packs and accessories range and the softboard business continued its positive growth momentum.

SHI successfully integrated the newly acquired Kanulock brand within the business with sales and margins to date being ahead of plan with distribution secured in several global outdoor retailers across Australia and the USA.

The SHI ecommerce business recorded strong growth following the move to a new platform in 2018 and the re-launch of FCS sites in Australia, the USA and Europe. The launch of stand-alone Softech Softboard sites in Australia and the USA also contributed positively and a European site launch is planned for early 2020.

FCS athletes performed well during the year collecting several Men's WSL event victories and Gabriel Medina claimed the Men's 2018 world title riding the FCS II system and fins. Stephanie Gilmore, whilst not officially sponsored by the brand, claimed the Women's 2018 world title also riding the FCS II system and fins.

The new "Freedom to Escape" campaign was launched during the year supporting the introduction of a new range of FCS Travel Bags, Packs & Accessories. Also, during the year SHI launched the FCS Shaper Awards, an initiative designed to recognise and honour some of the world's leading surfboard shapers.

Looking ahead to FY'20, SHI is forecasting continued sales growth as the new summer product ranges and marketing initiatives begin to flow into the southern hemisphere markets (Australia, New Zealand) in September 2019 and the northern hemisphere markets (USA, Europe and Japan) from March 2020.

A key product & marketing focus for the coming year will be the launch of the FCS H4 surfboard fin innovation project due for release in March 2020 along with the new FCS Technical Apparel range, also due for release in March 2020.

The continued optimisation of SHI's ecommerce platform with a mobile first approach, including improved conversion rates, increased average order value (AOV), increased website visitation and growing the database is a key focus area, along with implementing the new ERP system and growing sales within New Zealand market.

Murray Darling Food Company ($2.2 M)

During the year 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 results. To combat this impact the MDFC team has stopped any future planned property developments and reduced operating staff levels and monthly operating expenditure. Also, in October 2018, MDFC sold a portion of land which was sub-divided from the BWS property for $1.139 million which was used to reduce debt.

However, with the rain received at BWS, MDFC took the opportunity to purchase 4000 lambs which were finished off by end of March and sold. The irrigation pivots that were installed in the previous year have performed as expected during this year and have helped MDFC continue some level of operations during the year, however MDFC water allocation from the Wyangala dam is forecasted to end in September and the irrigation pivots will remain idle until the dam refills.

The embryo program continues to provide opportunities and currently MDFC have 1000 embryos in canisters ready for export and there is strong interest from South America.

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.

Hexima ($0.9 M)

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).

Hexima has continued to show progress in developing HXP124, their interim data show HXP124 substantially reduced the area of toenail infection in patients with a much shorter treatment period than current best-in-class therapies. They now have data from a total of 36 patients treated with HXP124 and are continuing clinical trials. Gowings expects that HXP124 could provide a large payoff if taken further in the clinical trial process and sold to a pharmaceutical company or developed in house with additional capital.

EFTsure ($0.4 M)

EFTSure provides Australian organisations access to correct, verified and up-to-date information on their payees through their 'Know Your Payee™' (KYP) technology. This helps protect companies against fraud and errors made through incorrect, fraudulently changed, or maliciously altered payee information. It was a strong half for EFTSure with several milestones achieved, including securing key customers and achieving significant growth in annual recurring revenue which hit approximately $2 million p.a. The business signed a licence deal with a partner in South Africa to develop a similar solution and are currently investigating potential to expand into the United Kingdom. Gowings continues to back EFTSure as the strongest provider for improving the security of electronic transactions and expect them to continue gathering market share.

Phalla Pharma Ltd / TPI Enterprises Limited ($1.4 M)

TPI Enterprises renamed to Phalla Pharma (PAL) during this period to create a new brand identity that reflects the Company's shift of its operations, product range and culture to that of a global pharmaceuticals business.

PAL uses poppy straws to manufacture drugs such as morphine, thebaine, oripavine, and codeine. PAL converts the raw material into Active Pharmaceutical Ingredients (API) which are then processed into Finished Dosage Formula (tablets) via its Norwegian facility. Additionally, PAL sells poppy seed for culinary purposes.

PAL had a strong result of $46.5 million in revenues and positive quarterly EBITDA at their full year report in February. Gowings was happy to see PAL complete the Vistin acquisition and come close to their target revenue for the year.

In the upcoming financial year PAL will focus on expanding and diversifying its API sales, with aims to expand the customer base and target an 80% year on year revenue growth in this segment. Gowings expects PAL to continue their expansion and drive higher margins through supply chain synergies and economies of scale as they ramp up production and sales.

Blackfynn ($0.4 M)

Blackfynn is a Philadelphia based company building the most important and complete human dataset in neurodegenerative diseases. They are beginning with Parkinson's disease, and combining it with their data analysis platform and experts to change the way neurological diseases are treated. They have a broad opportunity space across applications in therapeutic drugs, devices, clinical care and research. During the year Blackfynn received a significant grant from the Michael J. Fox Foundation to help with its research.

Blackfynn have refined their focus toward collecting and providing data for third party companies engaged in drug development and have begun to see increased traction with partners in this domain. Blackfynn is on track to improve clinical trials for neurodegenerative disease by reducing data variability and identifying specific groups of subjects most likely to respond to drugs. These results will be important to drive additional partnerships and a potential capital raise. While still a very early stage investment, Gowings believe Blackfynn has refined their offering and continues to move forward to growth in revenues.

National Stock Exchange of Australia Limited ($2.1 M)

NSX owns and operates 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 a lower cost of raising capital. Gowings believes NSX has the potential to develop into a Tier 1 listings exchange, providing strong growth by initially targeting lower market capitalisation companies and providing exchange services at lower cost.

Managing Director's Review of Operations

Strategic Equity Investments continued

Boundary Bend Limited ($14.8 M)

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 extra virgin olive oil brands, Cobram Estate and Red Island, and owns 2.3 million producing trees on over 6,575 hectares of pristine Australian farmland located in the Murray Valley region of north-west Victoria. Additionally, 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.

Boundary Bend have established a wellness arm to its operation and have launched the Wellgrove brand, which produces olive leaf extract products, which have been confirmed to contain antioxidants, as well as many other benefits to maximise health and wellbeing.

Boundary Bend had a strong year with a recorded harvest of 13.1 million litres, compared to last year's frost affected crop of 5.4 million litres. However, the price of irrigation water for the groves was at very high historical levels, with water shortages in the Murray Darling river. Despite this, we anticipate a strong result for the year. In June, Boundary Bend formally launched their Cobram Essentials range in the USA. The range is 100% California extra virgin olive oil, aimed at providing the consumer with a high quality, healthy extra virgin olive oil, at an affordable price. Although it is still early in the game Boundary Bend have been pleased with initial sales results.

Gowings remains positive on Boundary Bend for the next year as more of their recently planted crops begin producing olives and harvest volumes increase.

Powerpollen ($0.3 M)

PowerPollen is an early-stage agricultural technology company based in Iowa, USA, that is working on advanced yield enhancement technology that enables higher productivity in seed and grain production. PowerPollen has created a paradigm shift in agriculture by revolutionizing 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.

Over the winter, PowerPollen continued testing in their Puerto Rico and Texas sites, with results showing consistent increases in yields. PowerPollen has been applying their updated methods in the Mid-West during the current USA summer and if this proves a success they will likely have commercial interest from seed producers to access their technology on a paid royalty basis. Gowings will look to invest in any further rounds as PowerPollen grows into a profitable business.

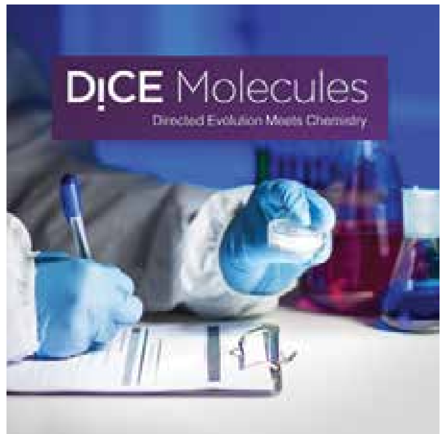
Hydration Pharmaceuticals ($1.4 M)

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 is both appealing and effective.

The results through until July 2019 have been disappointing as USA sales continue failing to meet targets. Overall sales for the business were down 11.7% on as Rite Aid reduced their store count by 1200. However, operational efficiency and margins have improved with an increase in EBITDA that edges closer to a positive number. Canadian sales have performed well, up 20% on the prior corresponding period and Hydralyte have undertaken a rebranding of the products providing a simpler, more appealing look.

Gowings believes that if Hydralyte can continue to improve their marketing strategy in the USA they will be able to capture greater market share. Bringing Radek Sali (Former Swisse Vitamins CEO) into the investor base gives us greater confidence they will be able to deliver.

DiCE Molecules ($2.4 M)



DiCE Molecules is a privately held US biotechnology company with a technology platform that began at Stanford University and has the potential to revolutionize small molecule drug discovery. Their business model includes the generation of milestone payments and royalty revenue through drug discovery collaborations, alongside the monetization of its own drug development assets.

IL-17, which helps regulate the immune system in patients and a program against a cancer immunotherapy target are currently being progressed and continue to push toward clinical trials by 2021. Strategically, DiCE will focus further on expanding DiCE owned drug development while maintaining engagement and potential for milestones with organizational partners. They continue to remain very well positioned to achieve their long-standing goal of building a great biotech company, one that produces both transformative medicines for patients and creates meaningful value for stakeholders.

If these drug developments are executed successfully the potential payoffs are large and Gowings is excited to watch DiCE bring these products forward.

Carlton Investments ($6.6 million) and Event Hospitality Group ($1.5 M)

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 expected to provide attractive levels of franked dividends and long-term capital growth. Investments are held for the long term and are generally only disposed of through takeover, mergers or other exceptional circumstances that may arise. Carlton Investments do not act as share traders nor do they invest in speculative stocks.

Carlton Investments' primary holding is Event Hospitality and Entertainment (40%) followed by substantial positions in the big 4 Australian Banks (19%). During the period Carlton made significant acquisitions in BHP Group, Boral, Fortescue Metals Group, Macquarie Group and Woodside Petroleum.

Event Hospitality & Entertainment's (Event) main divisions are cinema exhibition, hotel operations and ownership alongside property development. Their best-known brands include: Event, Greater Union, Rydges, QT hotels, and Thredbo Alpine Resort. Event had average results over the period with results in line with the previous year. The entertainment division performed poorly as cinema attendance fell, while property provided increased revenues but a fall in valuations. Thredbo Alpine Resort was the best performer with growth of 14.6%.

Gowings continues to hold Carlton Investments and Event as long-term equity investments that we expect to provide strong income and capital growth over time.

BBBSA Finance ($2.4 M)

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 Gowings made a strategic investment and assumed a board seat in BBBSA Finance Pty Ltd. The Company has continued to grow and expand, consistent with prior periods. It has been a beneficiary of the recent Hayne Royal Commission which has further exacerbated the reluctance by major banks to continue to provide credit facilities to SME's that are cashflow backed. This has enabled TrailBlazer Finance to grow to over $13 billion dollars ($10 billion dollars at half year) 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 TrailBlazer has no loan defaults and arrears of less than 1% on a loan book of over $21,000,000.

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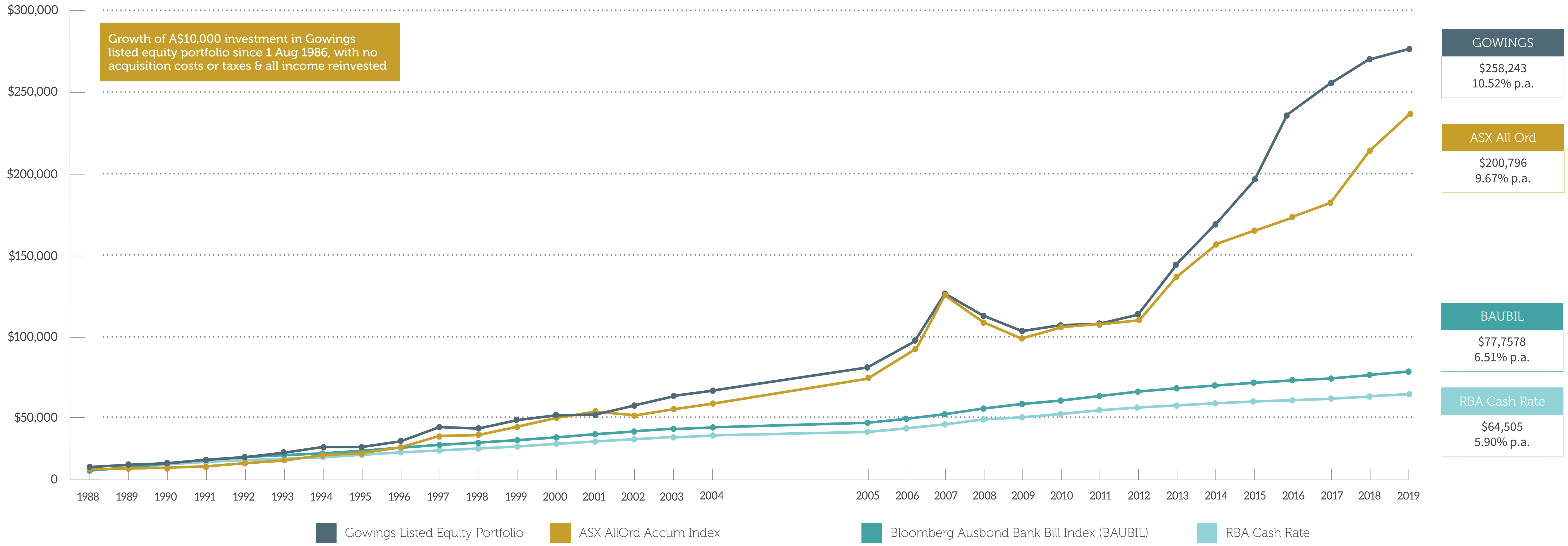
Growth Rate of Strategic Equity Portfolio

"Performance Proven Over Time"
- John Gowing -

Gowings has a history of strong results within its strategic equity portfolio & has successfully outperformed the ASX by more than 36% over a 30 year investment period.

		Returns
1991	Gowings took advantage of undervalued shares in the stock market and added $2M of shares to its investment portfolio.	13%
1995	Gowings sold off its investment in Lavington Shopping Centre. The sale generated a healthy profit which was sufficient to meet Gowings' capital investment plans over the next few years.	0%
1998	Many stock valuations were considered unsustainable. Subsequent weakness and unprecedented volatility in the Australian and world equity market led Gowings' to realise these investments.	-2%
1999	Gowings began actively reviewing its investments in the wholesale and venture capital markets. First step in this direction was a commitment at wholesale level to Macquarie Direct Investment, a subsidiary of Macquarie Bank.	14%
2000	Gowings gained exceptional returns from its equity investment in Open Telecommunica-tions Ltd, which generated over $4M in profits. Another tech investment, Peg Technology Ltd had a market value of $4.8M, $3M in excess of its original entry price.	7%
2001	The slump of tech stocks, negatively affecting the market value of our investment in PEG Technology Limited to $500K. On a positive note Gowings received its first return from Macquarie Investment Trust IIIB of approximately $476K when the fund successfully took their stake in HPAL Limited to IPO.	1%
2006	Gowings took the opportunity of the weak stock market to increase its holdings in resource & energy stocks, increasing its weighting in the shares portfolio to approximately 25%.	14%
2007	Investments which increased in market value over the last year includes: BHP Billiton increased 33% to $17.3M; Blackmores increased 73% to $4.7M (7x increase to date); and Woolworths increased 43% to $4.9M (5x increase to date). Top realised gains include: Rural Press (profit of $1.8M); West Australian Newspaper (profit of $1.1M); and Noni B (profit of $1M).	23%
2008	Global Financial Crisis. Shares that were realised included a range of write-offs and negative returns, notably the $2.5 million write off of Coolangatta Notes and $1.4 million in Babcock Brown. Top Gains are: Soul Pattinson $3.5 million realised gains, Westpac $2 million, ANZ $1.7 million, Invocare $1.9million, Hills $1.4million, Rio Tinto $1.3 million (83% gain).	-12%
2013	Good returns mainly from revaluation of shares. Boundary Bend doubled in its market value, while the Carlton Investment more than tripled our original purchase price with a market value of $3.9M, 39% increase from last year.	25%
2014	Boundary Bend increased a further 57% during the year to a MV of $6.4M. Carlton Investment up 29% from prior year with market value to $5M, representing a total of 330% increase from cost to date.	20%
2016	$18M realisation of the investment in Blackmores, in excess of $2.9M paid out in dividend over the years. Over 300% appreciation in the market value of Boundary Bend Ltd since acquisition.	20%
2017	Realisation of financial services shares provided a net gain of $3.55M (ANZ $1.25M, Westpac $1M & BT Financial Mgmt $1.3M)	8%
2018	Major movements for the year included increase to the carrying value of DiCE Molecules Holdings LLC by 47% to $2.2M; Hydralyte by 33% to $2.6M; Boundary Bend by 22% to $14.8M; and SEEK Ltd by 25% to $1.5M. These gains however were partially offset against an impairment in the carrying value of TPI Enterprises of $1.5M as the share price fell over 20% during the year.	6%
2019	$1.17M profit from realisation of investments including Seek Ltd ($747k profit, representing 154% capital growth), Trademe ($208k, 69% capital growth), Webster Ltd ($94k, 19% capital growth), Carsales.com ($42k, 14% capital growth). Invested $7.9M into a variety of equities and listed investment companies.	2%



Managing Director's Review of Operations

Private Equity Funds

Five V Capital ($1.7 M)

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 alongside 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.

The Fund II portfolio continues to progress well, with the team bedding down their recent investment in Universal Store, completing the divestment of the Madman Anime Group and UHG, as well as supporting the remaining portfolio across a range of growth initiatives. The divestment of UHG to MedHealth, represented the first realisation from Fund II and provided a positive return to investors. Five V Capital is finalising fundraising for Fund III, to continue to pursue its investment strategy, with capital commitments now in excess of $225 million.

OurCrowd Australia ($1.4 M)

OurCrowd is the leading global equity crowdfunding platform for accredited investors. OurCrowd selects investment opportunities and brings companies to its global investment community as an opportunity for investment. OurCrowd has reached almost 17,000 investors from over 110 countries and has $1 billion in funds under management with over 110 portfolio companies and funds.

OurCrowd Australia ($1.4 M)

Gowing Bros has invested $US 1 million into OurCrowd which has now been fully deployed across 25 companies covering healthcare, tech hardware, software, fintech, and mobility. During the year we added The Bouqs to our portfolio, a Los-Angeles-based startup disrupting the $100B global floral industry in both the supply chain and the consumer experience. The Bouqs has integrated technology and data into every aspect of its business to shorten and optimize the floral supply chain while driving demand through a branded ecommerce experience.

Also added during the year was an investment into Casper Sleep. Casper is a global sleep products company that launched in 2014 with a high-quality mattress sold directly to consumers - eliminating commission-driven, inflated prices. The company is a fast-growing consumer brand, and its product line has increased to include sheets, pillows and a special dog mattress. Casper was named one of Fast Company's 50 Most Innovative Companies in the World, and its flagship mattress was crowned one of TIME Magazine's Best Inventions of 2015. Gowings expects Casper to move toward a public listing in the short term at a higher value than our entry point.

Gowings have now fully deployed their capital allocated to OurCrowd investments but continue to monitor for any further outstanding opportunities and follow-on rounds. As venture capital is typically a long-term investment, we expect returns to start coming in over the next few years as our portfolio companies start moving towards trade sales or public listings.

Our Innovation Fund ($1.3 M)

Our Innovation Fund is an early stage venture capital 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. The fund capitalises 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, 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 Limited Partners in the Fund.

The fund currently has 10 portfolio companies including investments in enterprise software, hardware/devices and financial technology businesses. The portfolio investments have had strong performance to date with several follow-on rounds expected. A standout is Enboarder, a software platform that streamlines the process for on-boarding new employees, which has made strong inroads into major United States firms alongside securing a key round with a United States based venture firm.

The Our Innovation Fund is looking to raise a Fund II which will have a mandate to invest across both Australian and non-Australian investments.

Managing Director's Review of Operations

Other Direct Properties | New Ventures - Media & Wealth Management

Coastbeat Pty Ltd

Gowings established Coastbeat in December 2017 due to the significant stake we hold in the North Coast of NSW though the ownership of the Pacific Coast Shopping Centre portfolio and other properties such as Sawtell Commons & Harbour Drive Solitary 30 Site.

We have created a digital and print media platform where the Coastbeat community can communicate, share and learn more about the region. Supporting the locals by showcasing their work, creating jobs in the area and care for our environment were also key motives behind its creation. We have successfully secured regional foundation sponsors including Destination Coffs Coast and advertising revenues have a positive outlook.

Harbour Drive Solitary 30 Development Site

The Jetty development site located at 357 Harbour Drive paves the way for an exciting new mixed-use development for Gowings. The project received conditional approval for demolition of the existing Forestry Building earlier in 2019. Part of this process was the extensive documentation of the history of the building via an Archival Recording and submission of an approved Interpretation Strategy which highlighted re-use opportunities for the original local hardwood contained therein.

Gowings appointed DFJ Architecture who have presented initial concept schemes and continue to work closely with stakeholders to progress plans that align with the master plan for the Jetty region. The Gowings development should form a cornerstone in the Council planned creation of a vibrant Jetty precinct.

1868 Capital Pty Ltd

1868 Capital, Gowings' Australian Financial Services Licensed business has utilised Gowings long term investment philosophy to develop concepts for a range of funds for investors.

Business selection criteria has included:

- 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.

Draft term sheets have been prepared for three unlisted Australian based wholesale funds, providing investors with access to private investment opportunities in Australia and internationally. Opportunities have been considered in investment areas such as listed investment companies, food production and distribution companies as well as venture capital opportunities.

Lawyers for 1868 Capital have been engaged and they have prepared a suite of documents suitable for the launch of each fund.

Consideration is currently being given to the most appropriate asset class and market timing to launch the first fund.

Sawtell Commons Residential Subdivision

Sawtell Commons has been brought to life during this period with the Stage 1 subdivision works complete and all 8 lots sold to home building partners for the display village. The stage one site has high kerb appeal with elegant landscaping and attractive aspects within a woodland setting.

The stage 2 pre-sales release is underway with three lots of the thirty-three already exchanged at time of writing. Stage 2 subdivision works are scheduled to commence in the first quarter of 2020, subject to approvals. Gowings are awaiting a positive determination of the new DA for 222 lots from the JRPP and Coffs Harbour Council, which is currently scheduled for mid-October. An impressive site sales office is now operational with plenty of walk -in prospective purchasers and the second sales office at Coffs Central, next to Kmart is due to open in September to capture the strong foot traffic in that location. A local marketing campaign is supporting sales including airport and highway billboards, digital screens and Coastbeat magazine.

The Board of Directors

Jonathan West

Chairman and Non-executive Director
Bachelor of Arts, PHD (Harvard)
Shareholdings: 477,581 shares

Professor West was appointed Chairman of the Company in 2016 and is a member of the Audit Committee.

Professor West has served as a strategic and investment advisor to the Company over the past ten years as an external consultant.

Professor West has devoted most of his academic career to Harvard University, where he spent 18 years and was Associate Professor in the Graduate School of Business.

In addition to his academic career, Professor West has extensive International and Australian business experience.

He is a board member of Boundary Bend Ltd, the Hydralyte Pharmaceuticals Trust, the Bruny Island Cheese Company and chairman of Hexima Ltd.

John Gowing

Managing Director
Bachelor of Commerce, CA, CPA
Shareholding: 21,042,598 shares

John serves as Managing Director and is a member of the Remuneration Committee.

Over the years, John has steered the Company through the various global economic times and has overseen significant expansion of the Company.

John was first appointed as Non-executive Director of the Company upon completion of his commerce degree from the University of New South Wales in 1983. John's experience includes Arthur Young now known as Ernst & Young where he worked for 4 years in the audit division. After finishing his professional practice year and upon graduating as a chartered accountant, he accepted a fulltime position with the Company as Managing Director in 1987 and he continues in the role.

John Parker

Non-executive Director
Bachelor of Economics
Shareholding: 57,306 shares

John has served as an independent Non-executive Director of Gowings since January 2002. John is a coach with Foresight's Global Coaching, providing one-to-one business coaching to senior executives in Australia. John is Chairman of the Audit Committee.

John brings considerable experience to the board with over 33 years in equities research and funds management in Sydney, London and South Africa.

The Board of Directors

Sean Clancy

Non-executive Director
Diploma of Marketing
Shareholding: 5,000 shares

Sean was appointed as an independent Non-executive Director of the Company in 2016 and is Chairman of the Remuneration Committee and member of the Audit Committee.

Sean grew his own business Creative Sales and Marketing Group from 1989 until 2007, when the business was sold to Clemenger BBDO. He has been a businessman with a career focus on sales and marketing. He successfully established and is currently CEO of Transfusion Ltd a business specialising in shopper marketing, licensing, merchandising and below the line marketing. Sean is a non-executive director of Mortgage Choice Ltd and is Board Ambassador to Business Events Sydney. He is also Chairman of Metropolis, a brand marketing digital and media agency and Touch To Buy, a mobile application specialist.

Associate Directors*

Ellis Gowing

Associate Director
Bachelor of International Business
Shareholding: 57,892

Ellis has a degree in International Business from the University of Wollongong, he graduated in 2013. He has been working since 2013 with chartered accounting firms, with a focus on investment clients.

Working in business advisory has given Ellis knowledge of the bureaucratic systems companies and individuals must navigate on their road to success and wealth generation. His contact with clients has engendered Ellis with great communication skills, this experience should render Ellis' services to the company invaluable now, and moving forward.

James Gowing

Associate Director
Bachelor of Business, CA
Shareholding: 64,504

James graduated from UTS with a Bachelor of Business in 2014 majoring in Accounting and Marketing. He has worked for William Buck since November 2014, primarily in Audit and Assurance dealing with a wide range of clients in and around Sydney. James is also a qualified Chartered Accountant.

While young, James' work ethic and commitment to furthering his expertise in the field of accounting will, as the next generation of the family, prove invaluable to the future of the company and its direction. Importantly James' work in auditing has given him an insight into how successful and poor businesses are run.

*Associate Directors have access to board papers and are invited to attend board mettings in an observer capacity. Associate Directors do not hold any board voting rights.

Directors' Report

Your Directors are pleased to present their report on the Company for the year ended 31 July 2019.

Results

For the year ended	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
Operating profit/(loss) for the year before income tax	(25,787)	8,724
Income tax benefit/(expense)	6,384	(2,189)
Net profit/(loss) after income tax	(19,403)	6,535
Net profit/(loss) attributable to members of Gowing Bros. Limited	(19,403)	6,535

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

Dividends

$2,696,960
A final fully franked dividend of 5.0 cents per share is to be paid to shareholders on 31 October 2019

$2,689,559
An interim fully franked dividend of 5.0c per share was paid to shareholders on 30 April 2019

$3,217,975
A final fully franked dividend of 6.0 cents per share was paid to shareholders on 13 November 2018

$3,220,816
An interim fully franked dividend of 6.0c per share was paid to shareholders on 26 April 2018

Review of Operations

The operations of the Company are reviewed in the Managing Director's 'Review of Operations' on page 14.

Environment

The Company is committed to a policy of environmental responsibility in all its business dealings. This policy ensures that when the Company can either directly or indirectly influence decisions that have an impact on the environment, this influence is used responsibly.

Principal Activities

The principal activity of the Company is investment and wealth management. The Company maintains and actively manages a diversified portfolio of assets including long-term equity and similar securities, investment properties, managed private equity, property development projects and cash.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Company other than as disclosed elsewhere in this report.

Matters Subsequent to the End of the Financial Year

No matter or circumstance has arisen since the end of the financial year which has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Likely Developments and Expected Results of Operations

Further information on likely developments in the operations of the Company is included in the Managing Director's 'Review of Operations' on page 14.

Directors' and Executives' Interests

The following persons were directors, executives or a company secretary of Gowing Bros. Limited either during or since the end of the year.

		Total Shares
Professor J. West Non-Executive Chairman	Director since April 2016 and Member of the Audit Committee BA (Syd), PHD (Harvard) Professor West is a former Associate Professor in the Graduate School of Business at Harvard University and is an experienced global businessman No other directorships held in listed companies over the past 3 years	477,581
J. E. Gowing Managing Director	Executive Director Director since 1983 and Member of the Remuneration Committee Bachelor of Commerce Member of Chartered Accountants Australia and New Zealand Member of CPA Australia No other directorships held in listed companies over the past 3 years	21,042,598
J. G. Parker Non-Executive Director	Bachelor of Economics Director since 2002 Chairman of the Audit Committee Mr. Parker is a coach of senior executives, with over three decades of experience as an investment professional. No other directorships held in listed companies over the past 3 years	57,306
S. J. Clancy Non-Executive Director	Diploma of Marketing Director since April 2016 Chairman of the Remuneration Committee and Member of the Audit Committee Mr. Clancy is an experienced businessman with a focus on sales and marketing and is presently a director of Mortgage Choice Limited, Metropolis Pty Ltd, Transfusion Pty Ltd and Touch To Buy Pty Ltd.	5,000
R. Ambrogio Chief Financial Officer and co-company secretary	Bachelor of Economics, Member of Chartered Accountants Australia and New Zealand Mr. Ambrogio was appointed as Chief Financial Officer on 1 February 2017 and has over 20 years' experience in managing and leading finance teams across advertising, marketing and social services sectors. Robert's experience comes from his past employment with Arthur Andersen, XM Holdings, Creative Activation, and MTC Australia.	–
N. Rogan Head of Wholesale Funds Management and Company Secretary	Bachelor of Arts and a Grad Dip Commerce Mr. Rogan was appointed on 30 April 2018 as the Head of Wholesale Funds Management and has more than 25 years experience in the financial services industry. Mr Rogan's experience comes from his previous roles as General Manager Investment Bond Division Centuria Life, prior to this Neil held several senior roles at AMP Ltd. Mr. Rogan resigned from his position as Head of Wholesale Funds Management and Company Secretary on 19 April 2019.	–
I. H. Morgan Company Secretary	Bachelor of Business, Master of Law, Grad Dip Applied Finance and Investment Mr. Morgan was appointed company secretary on 18 April 2019 and has over 35 years experience as a Company Secretary and Chartered accountant for businesses operating both in Australia and overseas.	–

Meetings of Directors

Attendance at Board, Audit Committee & Remuneration Committee meetings by each Director of the Company during the financial year is set out below:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Meetings eligible to attend	Attended	Meetings eligible to attend	Attended	Meetings eligible to attend	Attended
Prof J. West	8	8	2	2	-	-
J. E. Gowing	8	8	-	-	2	2
J. G. Parker	8	8	2	2	-	-
S. J. Clancy	8	6	2	1	2	2

Remuneration Report

The Company's remuneration report, which forms a part of the Directors' Report, is on pages 40 to 42.

Corporate Governance

The Company's statement on the main corporate governance practices in place during the year is set out on the Company's website at http://gowings.com/reports-announcements/

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 82.

Shares Under Option

There were no unissued shares under option at the date of this report.

Indemnification and Insurance of Directors and Officers

The Company's constitution provides an indemnity for every officer against any liability incurred in his/her capacity as an officer of the Company to another person, except the Company or a body corporate related to the Company, unless such liability arises out of conduct involving lack of good faith on the part of the officer. The constitution further provides for an indemnity in respect of legal costs incurred by those persons in defending proceedings in which judgement is given in their favour, they are acquitted or the court grants them relief. During the year the Company paid insurance premiums in respect of the aforementioned indemnities. Disclosure of the amount of the premiums and of the liabilities covered is prohibited under the insurance contract.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

The Board of Directors has considered the position in accordance with advice received from the Audit Committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure that they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Audit and Non-Audit Services

During the year the following fees were paid or payable for services provided by the auditor of the Company and its related practices. Services were provided to the Company and its controlled entities.

	2019 $	2018 $
Audit services		
Audit and review of financial reports and other audit work under the Corporations Act 2001	187,000	167,500
Taxation services		
Tax compliance services, including review of Company income tax returns	29,520	79,500

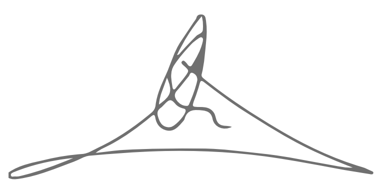
Rounding of Amounts

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 financial report. Amounts in the Directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

Environmental Regulation

No significant environmental regulations apply to the Company.

This report is made in accordance with a resolution of the Directors of Gowing Bros. Limited.



Professor J. West
Director
Sydney
14 October 2019

J. E. Gowing
Director
Sydney
14 October 2019

Remuneration Report

The Remuneration Report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

Principles used to Determine the Nature and Amount of Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating Directors and executives fairly and appropriately with reference to relevant employment market conditions and the nature of Company operations.

The Board has established a Remuneration Committee which consists of the following Directors:

- S. J. Clancy, Chairman of the Remuneration Committee
- J. E. Gowing, Managing Director

Non-Executive Directors

For Non-executive Directors, remuneration is by way of Directors' fees as described below. For the Executive Director and senior executives, remuneration is by way of a fixed salary component and a discretionary incentive component as described below.

Persons who were Non-executive Directors of the Company for all or part of the financial year ended 31 July 2019 were:

- Prof. J. West, Chairman of the Board
- J. G. Parker
- S. J. Clancy

The remuneration of Non-executive Directors is determined in accordance with the Directors' remuneration provisions of the Company's constitution. Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Remuneration Committee in line with the market and approved by the Board. The Chairman's fees are determined independently to the fees of Non-executive Directors based on comparative roles in the external market. Non-executive Directors do not receive any performance based remuneration or share options.

There is no scheme to provide retirement benefits to Non-executive Directors.

Executives

Executives are officers of the Company who are involved in, concerned with, take part in and are able to influence decisions in the management of the affairs of the Company. Persons who were executives for all or part of the financial year ended 31 July 2019 were:

- J. E. Gowing, Managing Director
- R. Ambrogio, Chief Financial Officer and joint Company Secretary (appointed 31 July 2019)
- N. Rogan, Head of Wholesale Funds Management (resigned 19 April 2019) and Company Secretary (resigned 19 April 2019)

Executive remuneration is a combination of a fixed total employment cost package and a discretionary incentive element which may be awarded by cash or invitation to participate in the Company's Employee Share & Option Scheme or Deferred Employee Share Plan Scheme. Remuneration is referenced to relevant employment market conditions and reviewed annually to ensure that it is competitive and reasonable.

The incentive element is awarded at the discretion of the Remuneration Committee and approved by the Board on the basis of recommendations from the Managing Director. The Managing Director's incentive element is awarded at the discretion of the Remuneration Committee and approved by the Board. In determining the amount (if any) of bonus payments or of options or shares issued, consideration is given to an executive's effort and contribution to both the current year performance and the long term performance of the Company, the scope of the executive's responsibility within the Company, the scale and complexity of investments required to be managed, the degree of active management required and the degree of skill exhibited in the overall process. Regard is also given to the quantum of an executive's total remuneration. The 2019 Financial Year bonus is limited to 40% of the base package of the relevant executive, subject to the discretion of the Committee, for exceptional performance.

Details of Remuneration

Details of the remuneration of the Directors and key management personnel are set out in the following tables:

2019 $	Short term					Share based	Post – employment	Long term	Total
	Cash salary and fees	Consultancy Fees	Cash bonus	Movement in provision for annual leave	Non-monetary benefits	Share bonus	Superannuation	Movement in provision for long service leave	
Non-executive Directors									
Prof. J. West (Chairman)	27,397	100,000	-	-	-	-	2,603	-	130,000
J. G. Parker	50,000	10,654	-	-	-	-	11,012	-	71,666
S. J. Clancy	54,795	-	-	-	-	-	5,205	-	60,000
	132,192	110,654	-	-	-	-	18,820	-	261,666
Executive Directors									
J. E. Gowing	289,951	-	-	(16,728)	1,133	-	20,049	4,948	299,353
Other key management personnel									
R. Ambrogio	219,178	-	-	1,686	-	-	20,822	3,741	245,427
N. Rogan[1]	221,347	-	-	(5,666)	-	-	14,693	(1,257)	229,117
Total key management personnel compensation	862,668	110,654	-	(20,708)	1,133	-	74,384	7,432	1,035,563

[1] N. Rogan resigned from his position as Head of Funds Management and Company Secretary on 19 April 2019.

2018 $	Short term					Share based	Post – employment	Long term	Total
	Cash salary and fees	Consultancy Fees	Cash bonus	Movement in provision for annual leave	Non-monetary benefits	Share bonus	Superannuation	Movement in provision for long service leave	
Non-executive Directors									
Prof. J. West (Chairman)	27,397	100,000	-	-	-	-	2,603	-	130,000
J. G. Parker	50,000	-	-	-	-	-	10,000	-	60,000
S. J. Clancy	54,795	-	-	-	-	-	5,205	-	60,000
	132,192	100,000	-	-	-	-	17,808	-	250,000
Executive Directors									
J. E. Gowing[1]	276,747	-	120,000	48,270	3,353	-	22,679	12,489	483,538
Other key management personnel									
G. J. Grundy[2]	318,934	147,240	350,000	(82,667)	-	-	10,024	(73,029)	670,502
R. Ambrogio	219,178	-	-	10,532	-	-	20,822	3,565	254,097
N. Rogan[3]	74,183	-	-	5,666	-	-	7,047	1,257	88,153
Total key management personnel compensation	1,021,234	247,240	470,000	(18,199)	3,353	-	78,380	(55,718)	1,746,290

[1] J.Gowing bonus relates to his efforts towards the financial results of FY2017.
[2] G.Grundy resigned from his position as General Manager on 5 January 2018 and became a consultant to the business, and on 20 July 2018 resigned from his position as Company Secretary. The cash bonus paid to G.Grundy related to his efforts towards the financial results of FY2016 ($150,000) and FY2017 ($200,000).
[3] N.Rogan was appointed as Head of Funds Management on 30 April 2018.

Remuneration Report

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed		Performance	
	2019 (%)	2018 (%)	2019 (%)	2018 (%)
Executive Directors				
J. E. Gowing	100	75	-	25
Other key management personnel				
G. J. Grundy	-	48	-	52
R. Ambrogio	100	100	-	-
N. Rogan	100	100	-	-

Service Agreements

There are/ were service agreements in place with J. Parker, J. Gowing, Prof. J. West, S. Clancy, N. Rogan and R. Ambrogio.

Remuneration and other terms of employment for the Managing Director, executives and other key management personnel are approved by the Board and provide for the provision of performance-related incentives.

Other major provisions relating to remuneration are set out below:

J. E. Gowing, Managing Director

- No fixed term.
- Base salary, inclusive of superannuation, as at 31 July 2019 of $310,000, to be reviewed annually by the Remuneration Committee.
- Non-monetary benefits included motor vehicle and FBT related charges for the year ended 31 July 2019 of $1,133.
- No termination benefit is payable.

R. Ambrogio, Chief Financial Officer

- No fixed term.
- Base salary, inclusive of superannuation, as at 31 July 2019 of $240,000, to be reviewed annually by the Remuneration Committee.
- No termination benefit is payable.

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

Additional Information

Employee Share & Option Scheme: The scheme is operational. No shares or options were issued under this scheme during the year.

Deferred Employee Share Plan Scheme: All employees and non-executive directors are eligible to participate in the Company's Deferred Employee Share Plan Scheme. Shares issued under this plan during the year were purchased on market.

The Company Employee Share & Option Scheme and Deferred Employee Share Plan Scheme may be utilised as a part of the award of any incentive payment for all employees which in turn assists in aligning the interests of employees with the long term performance of the Company.

The table set out below reflects the relationship between Remuneration Policies and Company Performance:

	2019	2018	2017	2016	2015
Net Profit/(loss) after tax	($19.4)m	$6.5m[1]	$23.2m	$22.0m	$19.1m
Basic and diluted earnings/(loss) per share	(36.07)c	12.18c[1]	43.29c	40.92c	35.48c
Dividends per share declared	10.0c	12.0c	12.0c	12.0c	12.0c
Share buy back – number of shares	-	47k	12k	181k	20k
Share buy back – value	-	$135k	$41k	$565k	$58k
Share price at financial year end	$2.45	$2.89	$3.23	$3.62	$3.20

(1) See Note 1 of the financial report regarding the restatement as a result of a change in accounting policy

ASX Listing Requirements

1. Shareholders at 30 September 2019

Range of shares	No. of shareholders
1 – 1,000 shares	302
1,001 – 5,000 shares	440
5,001 – 10,000 shares	191
10,001 – 100,000 shares	365
Over 100,000 shares	53
Total shareholders	1,351

The number of shareholdings held in less than marketable parcels is 127.

2. Voting Rights

Members voting personally or by proxy have one vote for each share.

3. Substantial Shareholders at 30 September 2019

The substantial shareholders as defined by Section 9 of the Corporations Act 2001 are:

John Edward Gowing	21,042,598	Ordinary shares
Carlton Hotel Limited	4,701,144	Ordinary shares

4. Top 20 Equity Security Holders at 30 September 2019

In accordance with Australian Securities Exchange Listing Rule 4.10, the top 20 equity security holders are:

		No. of ordinary shares	% of issued shares
1	Warwick Pty Limited	7,211,378	13.37
2	Audley Investments Pty Limited	5,263,957	9.76
3	Carlton Hotel Limited	4,701,144	8.72
4	Mr John Edward Gowing	3,676,709	6.82
5	Woodside Pty Limited	3,235,816	6.00
6	J P Morgan Nominees Australia Limited	2,337,390	4.33
7	Mr John Gowing	1,187,189	2.20
8	Mr Frederick Bruce Wareham	1,152,358	2.14
9	Charles and Cornelia Goode Foundation Pty Limited	1,100,000	2.04
10	Josseck Pty Limited	849,971	1.58
11	Mr Ronald Langley and Mrs Rhonda Langley	674,580	1.25
12	Mr Graeme Legge	641,690	1.19
13	Enbeear Pty Limited	636,829	1.18
14	BNP Paribas Nominees Pty Limited	632,145	1.17
15	Beta Gamma Pty Limited	630,368	1.17
16	Mrs Jean Kathleen Poole-Williamson	568,443	1.05
17	T N Phillips Investments Pty Limited	550,000	1.02
18	Mythia Pty Limited	441,258	0.82
19	National Nominees Limited	378,314	0.70
20	HSBC Custody Nominees (Australia) Limited	354,923	0.66
	Total	36,224,462	67.16
	Total issued share capital	53,939,195	

5. Corporate Governance Practices

The Company's statement on the main corporate governance practices in place during the year is set out on the Company's website at www.gowings.com/reports-announcements/.

Financial Report

The consolidated financial statements were authorised for issue by the Directors on 14 October 2019. The Directors have the power to amend and reissue the consolidated financial statements.

Consolidated Statement of Profit or Loss

For the year ended	Notes	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
Revenue			
Interest income		256	219
Equities		726	618
Private equities	5	82	449
Investment properties	17	20,835	19,829
Revenue from the sale of goods (Surf Hardware International)		42,538	37,189
Total revenue		64,437	58,304
Other income			
Gains / (losses) on disposal or revaluation of:			
Private equities	15	1,228	(148)
Investment properties	17	(28,044)	5,589
Derivatives		(3,319)	(418)
Other income		943	739
Total other income / (loss)		(29,192)	5,762
Total revenue and other income		35,245	64,066
Expenses			
Investment properties	17	8,859	8,342
Finished goods, raw materials and other operating expenses (Surf Hardware International)		41,881	37,136
Administration		1,323	1,745
Borrowing costs	5	5,211	5,230
Depreciation and amortisation		815	603
Employee benefits		2,490	1,776
Public Company		453	455
Business acquisition costs		-	55
Total expenses		61,032	55,342
Profit / (loss) from continuing operations before income tax expense		(25,787)	8,724
Income tax benefit / (expense)	6	6,384	(2,189)
Profit / (loss) from continuing operations		(19,403)	6,535
Profit / (loss) from continuing operations is attributable to:			
Members of Gowing Bros. Limited		(19,403)	6,535
Non-controlling interests		-	-
Profit / (loss) from continuing operations		(19,403)	6,535

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying Notes.
*See Note 1 for details regarding the restatement as a result of a change in accounting policy.

Consolidated Statement of Other Comprehensive Income

For the year ended	Notes	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
Profit / (loss) from continuing operations		**(19,403)**	**6,535**
Other comprehensive income / (loss)			
Items that will be reclassified to profit or loss:			
Exchange rate differences on translating foreign operations, net of tax		254	302
Items that may be reclassified to profit or loss:			
Changes in fair value of equity instruments held at fair value through other comprehensive income, net of tax		(596)	1,175
Gain on revaluation of property, plant and equipment, net of tax		-	554
Total comprehensive income / (loss)		(19,745)	8,566
Total comprehensive income / (loss) attributable to:			
Members of Gowing Bros. Limited		(19,745)	8,566
Non-controlling interests		-	-
Total comprehensive income / (loss)		(19,745)	8,566
Earnings / (loss) per share			
Basic earnings / (loss) per share	38	(36.07)c	12.18c
Diluted earnings / (loss) per share	38	(36.07)c	12.18c

The above Consolidated Statement of Other Comprehensive Income should be read in conjunction with the accompanying Notes.
*See Note 1 for details regarding the restatement as a result of a change in accounting policy.

Consolidated Statement of Financial Position

As at	Notes	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
Current assets			
Cash and cash equivalents	7	11,314	5,294
Loans receivable	8	89	-
Inventories	11	6,538	6,234
Trade and other receivables	9	8,885	7,789
Current tax receivable		84	-
Other	10	1,750	1,271
Total current assets		28,660	20,588
Non-current assets			
Other receivables	12	480	567
Loans receivable	13	2,400	1,400
Equities	14	40,021	36,783
Private equities	15	4,907	3,449
Development properties	16	16,164	14,145
Investment properties	17	232,016	256,678
Property, plant and equipment	18	8,778	8,749
Intangibles	19	4,536	4,302
Deferred tax assets	20	3,406	5,070
Other	21	1,800	2,025
Total non-current assets		314,508	333,168
Total assets		343,168	353,756
Current liabilities			
Trade and other payables	22	7,370	4,711
Borrowings	23	2,453	455
Derivatives		895	708
Current tax liabilities	24	-	357
Provisions	25	1,330	1,222
Total current liabilities		12,048	7,453
Non-current liabilities			
Trade and other payables		222	248
Borrowings	26	107,073	92,009
Derivatives		3,132	-
Provisions	27	547	469
Deferred tax liabilities	28	29,022	37,612
Total non-current liabilities		139,996	130,338
Total liabilities		152,044	137,791
Net assets		191,124	215,965
Equity			
Contributed equity	29	13,288	12,476
Reserves	30	100,796	101,956
Retained profits		77,042	101,535
Contributed equity and reserves attributable to members of Gowing Bros. Limited		191,126	215,967
Non-controlling interests		(2)	(2)
Total equity		191,124	215,965

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes.
*See Note 1 for details regarding the restatement as a result of a change in accounting policy.

Consolidated Statement of Changes in Equity

	Contributed Equity $'000	Capital Profits Reserve-Pre CGT Profits $'000	Revaluation Reserves $'000	Foreign Currency Reserve $'000	Retained Profits $'000	Non-Controlling Interests $'000	Total $'000
Balance at 1 August 2017 (Restated)*	12,611	90,503	9,584	(162)	101,442	(2)	213,976
Total comprehensive income for the year	-	-	1,729	302	6,535	-	8,566
Transactions with owners in their capacity as owners:							
Share buy-back	(135)	-	-	-	-	-	(135)
Dividends declared	-	-	-	-	(6,442)	-	(6,442)
Balance at 31 July 2018 (Restated)*	12,476	90,503	11,313	140	101,535	(2)	215,965
Total comprehensive income / (loss) for the year	-	-	(596)	254	(19,403)	-	(19,745)
Transfer of gains on disposal of equity instruments at fair value through comprehensive income to retained earnings, net of tax	-	-	(818)	-	818	-	-
Transactions with owners in their capacity as owners:							
Issue of ordinary shares	812	-	-	-	-	-	812
Dividends declared	-	-	-	-	(5,908)	-	(5,908)
Balance at 31 July 2019	13,288	90,503	9,899	394	77,042	(2)	191,124

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.
*See Note 1 for details regarding the restatement as a result of a change in accounting policy.

Consolidated Statement of Cash Flows

For the year ended	Notes	31 July 2019 $'000	31 July 2018 $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		69,735	62,010
Payments to suppliers and employees (inclusive of GST)		(58,982)	(54,079)
Dividends received		726	618
Interest received		256	497
Borrowing costs paid		(5,211)	(3,454)
Income taxes paid		(355)	(1,380)
Net cash inflows from operating activities	40	6,169	4,212
Cash flows from investing activities			
Payments for purchases of properties, plant and equipment		(654)	(733)
Payments for purchases of intangibles		(472)	(752)
Payments for purchases of development properties		(2,083)	(438)
Payments for purchases of investment properties		(5,398)	(29,026)
Payments for purchases of equity investments		(8,698)	(1,975)
Loans made		(1,089)	(1,400)
Proceeds from repayment of loans made		-	3,000
Proceeds from sale of properties, plant and equipment		70	-
Proceeds from sale of equity investments		4,378	543
Proceeds from sale of investment properties		1,831	896
Net cash outflows from investing activities		(12,115)	(29,885)
Cash flows from financing activities			
Payments for share buy-backs		-	(135)
Proceeds from borrowings	41	17,692	33,764
Repayment of borrowings	41	(630)	(79)
Payments for derivatives		-	(2,027)
Dividends paid	31	(5,096)	(6,442)
Net cash inflows from financing activities		11,966	25,081
Net increase / (decrease) in cash held		6,020	(592)
Cash and cash equivalents at the beginning of the financial year		5,294	5,886
Cash and cash equivalents at the end of the financial year	7	11,314	5,294

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes.

Notes To The Consolidated Financial Statements

1. Summary Of Significant Accounting Policies

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

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with IFRS
The consolidated financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of equities (financial assets at fair value through other comprehensive income), private equities (financial assets at fair value through profit or loss), investment properties and certain classes of property, plant and equipment.

Critical accounting estimates
The preparation of consolidated financial statements in conformity with Australian Accounting Standards requires 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. Areas involving a higher degree of judgement and complexity or where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Comparative information
Information has been reclassified where applicable to enhance comparability.

New and amended standards 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.

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.

1. Summary Of Significant Accounting Policies (Continued)

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

(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 31 July 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, for the 31 July 2018 financial year, impairment –equities have reduced by $1.546 million, income tax expense has increased by $0.464 million, profit after income tax has increased by $1.082 million and fair value of investments net of tax presented in other comprehensive income decreased by that same amount.

Basic and diluted earnings per share for the 31 July 2018 financial year has also been restated as a result of the change in profit after income tax. Basic and diluted earnings per share increased by 2.03 cents from the amount reported in the 31 July 2018 Annual Report.

(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 financial report.

(b) Principles of Consolidation

The consolidated financial statements incorporate all the assets, liabilities and results of the Company and all the subsidiary companies and other interests it controlled during the year ended 31 July 2019. The Company controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Details of subsidiary companies and other interests of the Company are set out in note 35.

The assets, liabilities and results of its subsidiaries are fully consolidated into the financial statements of the Group from the date which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies of the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the consolidated statement of financial position and consolidated statement of comprehensive income.

(c) Business combinations

Business combinations occur where the Group acquires control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit and loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(d) Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is carried as the excess of the sum of:

(i) the consideration transferred;
(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
(iii) the acquisition date fair value of any previously held equity interest;

Over the acquisition date fair value of net identifiable net assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest form the cost of the investment.

Fair value re-measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds a less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value ("full goodwill method") or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ("proportionate interest method"). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interest is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, which represents the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker including:

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

(f) Foreign currency translation

(i) *Functional and presentation currency*
Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

(ii) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Translation differences on private equities and development properties held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on equities are recognised in equity.

(iii) *Foreign Operations*
The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

(a) assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;

(b) income and expenses are translated at average exchange rates for the period; and

(c) retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the consolidated statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(g) Income tax

The income tax expense or revenue 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 and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss. 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 temporary differences and losses. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(h) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Property, plant and equipment

Property, plant and equipment (excluding freehold properties) are measured at cost. Costs are measured at fair value of assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Freehold properties are measured at fair value, with changes in fair value recognised in other comprehensive income. Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of plant and equipment (excluding freehold land) over its expected useful life to the Group. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. Land is not depreciated. Depreciation is calculated to allocate cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Furniture, fittings and equipment	3 to 10 years
Motor vehicles	6 years
Buildings	40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(j) Inventories

Inventories comprise raw materials and finished goods and are stated at the lower of cost and net realisable value. Costs of raw materials and finished goods are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Intangibles Other than Goodwill

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only if it is probable the asset will generate future benefits for the Group. Those assets with an indefinite useful life are tested for impairment annually. All intangible assets are tested for impairment when there is an indication that carrying amounts may be greater than recoverable amounts as set out in note 1(h).

(i) Patents
Patents have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patents over their useful lives.

(ii) Brand names
Brand names are initially recognised at fair value when acquired in a business combination. Brand names are assessed to have an indefinite useful and are carried at cost less accumulated impairment. An indefinite useful life is considered appropriate when there is no foreseeable limit to the period over which the brand name is expect to generate cash flows.

(l) Revenue recognition

Revenue is recognised for the major business activities as follows:

(i) Equities
Dividend income is recognised when received. Revenue from the sale of investments is recognised at trade date.

(ii) Property rental
Rental income is recognised in accordance with the underlying rental agreements.

(iii) Land development and sale
Revenue is recognised on settlement.

(iv) Sales of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

(v) Other investment revenue
Trust income and option income is recognised when earned.

(vi) Other property revenue
Other property revenue is recognised in accordance with underlying agreements or when the right to receive payment is established.

(vii) Interest revenue
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(m) Trade and other receivables

Receivables consists mainly of amounts due for rental income and sale of goods. Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Amounts are usually due between seven and ninety days from invoice date. Amounts due for the sale of financial assets and properties are usually due on settlement unless the specific contract provides for extended terms.

(n) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

(i) Financial assets at fair value through profit of loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

(ii) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

The fair values of quoted investments are based on current market prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and relying as little as possible on unobservable inputs and maximising the use of relevant observable inputs.

(iii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income.
The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

(o) Investment properties

Investment properties, principally comprising freehold commercial and retail buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value

(p) Joint ventures

(i) Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of joint venture activities have been incorporated in the consolidated financial statements under the appropriate headings. Details of the joint ventures are set out in note 36.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within thirty to sixty days after the end of the month of recognition.

(r) Borrowings

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(s) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

(t) Employee entitlements

(i) Wages, salaries and annual leave
Liabilities for wages, salaries and annual leave are measured as the amount unpaid at the reporting date in respect of employees' services up to that date at pay rates expected to be paid when the liabilities are settled.

(ii) Long service leave
A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels and periods of service.

(u) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred except where they are included in the costs of qualifying assets. Only borrowing costs relating specifically to the qualifying asset are capitalised. Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps.

(v) Cash and cash equivalents

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(w) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

1. Summary Of Significant Accounting Policies (Continued)

(x) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of the interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(y) 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 financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

(z) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 July 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

(i) AASB 16: Leases (AASB 16)
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces *AASB 117 Leases* and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term.

The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. The Group will adopt this standard from 1 August 2019 but the impact of its adoption is yet to be assessed fully by the Group.

2. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), liquidity risk, credit risk and fair value estimation risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group through the mix of investment classes. The Board of Directors and management undertake various risk management practices, both informally on a daily basis and formally on a monthly basis at board level. Risks are identified and prioritised according to significance and probability. Progress towards managing these risks is documented and formally reviewed on a monthly basis.

Market risk

(i) Foreign exchange risk
Foreign exchange risk arises when future commercial transactions and recognised financial assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group does not have a policy with regard to hedging currency risk. The Group has not hedged its foreign currency investments. The multiple currencies provide diversification benefits to the portfolio. The Group monitors foreign currency movements daily and seeks advice from foreign currency specialists as to potential courses of action that may protect or enhance the value of the Group's investments.

The Group's exposure to foreign currency risk on financial assets and liabilities at the reporting date was as follows:

Currency exposure in AUD	31st July 2019				31st July 2018			
	USD $'000	EUR $'000	GBP $'000	JPY $'000	USD $'000	EUR $'000	GBP $'000	JPY $'000
Cash	612	424	13	388	448	391	9	247
Trade receivables	2,862	2,233	-	983	2,400	1,796	-	933
Trade payables	(498)	(312)	(24)	(486)	(342)	(255)	-	(415)
Equities	4,467	-	-	-	5,565	-	-	-
Private equities	1,375	459	-	-	1,141	311	-	-

Based on the cash held at 31 July 2019, if the Australian dollar weakened / strengthened by 10% against the US dollar, cash would have been $68,000 higher / $55,636 lower (2018: $49,778 higher / $40,727 lower). If the Australian dollar weakened / strengthened by 10% against the GBP, cash would have been $1,444 higher / $1,182 lower (2018: $1,000 higher / $818 lower). If the Australian dollar weakened / strengthened by 10% against the EUR, cash would have been $47,111 higher / $38,545 lower (2018: $43,444 higher / $35,545 lower). If the Australian dollar weakened / strengthened by 10% against the JPY, cash would have been $43,111 higher / $35,273 lower (2018: $27,444 higher / $22,455 lower).

Based on the trade receivables held at 31 July 2019, if the Australian dollar weakened / strengthened by 10% against the US dollar, receivables would have been $318,000 higher / $260,182 lower (2018: $266,667 higher / $218,182 lower). If the Australian dollar weakened/strengthened by 10% against the EUR, receivables would have been $248,111 higher/ $203,000 lower (2018: $199,556 higher / $163,273 lower). If the Australian dollar weakened/strengthened by 10% against the JPY, receivables would have been $109,222 higher/ $89,364 lower (2018: $103,667 higher/ $84,818 lower).

Based on the trade payables held at 31 July 2019, if the Australian dollar weakened / strengthened by 10% against the US dollar, payables would have been $55,384 higher / $45,315 lower (2018: $38,000 higher / $31,091 lower). If the Australian dollar weakened/strengthened by 10% against the EUR, payables would have been $34,624 higher/ $28,329 lower (2018: $28,233 higher/ $23,182 lower). If the Australian dollar weakened/ strengthened by 10% against the GBP, payables would have been $2,621 higher/ $2,144 lower (2018: $nil higher/ $nil lower). If the Australian dollar weakened/strengthened by 10% against the JPY, payables would have been $53,996 higher/ $44,179 lower (2018: $46,111 higher/ $37,727 lower).

Based on the equities held at 31 July 2019, if the Australian dollar weakened / strengthened by 10% against the US dollar, equities would have been $496,299 higher / $406,063 lower (2018: $618,333 higher / $505,909 lower).

Based on the private equities held at 31 July 2019, if the Australian dollar weakened / strengthened by 10% against the US dollar, private equities would have been $152,802 higher / $125,020 lower (2018: $126,778 higher / $103,727 lower). If the Australian dollar weakened / strengthened by 10% against the Euro, private equities would have been $50,954 higher / $41,689 lower (2018: $34,556 higher / $28,273 lower).

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date.

2. Financial Risk Management (Continued)

(i) Price risk
The Group is exposed to asset price risk. This arises from equities and private equities held by the Group. A price reduction at 5% and 10% spread equally over the investment portfolio would reduce its value by $2,246,410 (2018: $2,011,590) and $4,492,820 (2018: $4,023,180) respectively.

The Group seeks to reduce market risk at the investment portfolio level by ensuring that it is not overly exposed to one company or one particular sector of the market. The relative weightings of the individual investments and the relevant market sectors are reviewed regularly and risk can be managed by reducing exposure where necessary. The Group does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector. The writing and purchasing of options provides some protection against a fall in market prices by both generating income to partially compensate for a fall in capital values and buying put protection to lock in asset prices.

(ii) Interest rate risk
The Group's interest-rate risk arises from long-term borrowings and cash on deposit. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group's interest bearing assets include deposits on the overnight money market. Interest earnt on these deposits varies according to the Reserve Bank's monetary policy decisions.

As at the reporting date, the Group had the following variable rate borrowings and embedded derivative interest rate swap contracts in use:

	Weighted average interest rate	31st July 2019 Balance $'000	Weighted average interest rate	31st July 2018 Balance $'000
Borrowings	1.38%	109,526	2.15%	92,457
Interest rate swaps (notional principal amount)	2.64%	(60,200)	2.64%	(60,200)
Net exposure to cash flow interest rate risk		49,326		32,257

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements. The Group does not hold any collateral.

Liquidity risk

This is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Management monitors its cash flow requirements daily. Furthermore, management monitors the level of contingent payments on a weekly basis by reference to known sales and purchases of securities and dividends and distributions to be paid or received.

Maturity of Financial Liabilities

31 July 2019	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total contractual cash flow
	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Non-interest bearing	7,370	222	-	-	7,592
Variable rate	2,453	328	106,745	-	109,526
Total non-derivatives	9,823	550	106,745	-	117,118
Derivatives					
Fixed rate	895	895	2,237	-	4,027

2. Financial Risk Management (Continued)

31 July 2018	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total contractual cash flow
	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Non-interest bearing	4,711	248	-	-	4,959
Fixed rate	7	-	-	-	7
Variable rate	448	1,936	90,073	-	92,457
Total non-derivatives	5,166	2,184	90,073	-	97,423
Derivatives					
Fixed rate	708	-	-	-	708

Fair value estimation risk

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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 than 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 liability.

The following tables present the Group's assets and liabilities measured at fair value at 31 July 2019 and 31 July 2018.

31 July 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
	$'000	$'000	$'000	$'000
Financial assets – designated at fair value through other comprehensive income				
Investments – Australian equities	17,257	-	18,297	35,554
Investments – Global equities	-	-	4,467	4,467
Financial assets – designated at fair values through profit or loss				
Investments – Private equities	-	-	4,907	4,907
Investments – Investment properties	-	-	232,016	232,016
Other assets – designated at fair value				
Freehold – Properties	-	-	7,105	7,105
Financial liabilities – designated at fair value through profit or loss				
Derivatives	-	(4,027)	-	(4,027)
Total	17,257	(4,027)	266,792	280,022

2. Financial Risk Management (Continued)

31 July 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
	$'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 values 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	12,985	(708)	291,073	303,350

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

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

- The fair value of listed equities is based on quoted market prices at the reporting date.
- The fair value of directly held unlisted equity investments is determined by management valuations in accordance with the AVCAL valuation guidelines. A variety of methods are used including reference to recent shares issued and net assets of underlying investments.
- The fair value of investment properties are determined by capitalisation rates derived by using the income approach method and/or using external registered property valuers: refer to note 17.
- Investments in private equities primarily consist of investments in managed private equity funds, each of which consists of a number of investments in individual companies, none of which are material. Fair value of managed private equity investments has been determined using fund manager valuations, which are prepared in accordance with AVCAL Guidelines. Directors have reviewed those valuations.
- The fair value of freehold properties included in Property, Plant and equipment is determined by Directors based on comparable property market information.

31 July 2019 Reconciliation of level 3 fair value movements	31 July 2019 $'000	31 July 2018 $'000
Opening balance	291,073	256,601
Transfers to level 1	-	-
Transfers from development properties	64	297
Purchases	7,503	28,289
Sales	(2,162)	(1,439)
Amortisation and depreciation	(1,386)	(1,293)
Gain / (loss) recognised in profit or loss or other comprehensive income	(28,300)	8,618
Closing balance	266,792	291,073

Refer to the following notes for reconciliation for individual class of assets:

- Equities - refer to note 14
- Private equities - refer to note 15
- Investment properties - refer to note 17

3. Critical Accounting Estimates And Judgements

Managed and Direct Private Equity

The Group's practice for 'Managed Private Equity' valuations is to procure each Fund Manager's published unit price valuation and review it for reasonableness, potential misstatements and impairments. In reviewing each Fund Manager's valuation, consideration is given to audited accounts, compliance with Australian Venture Capital Association (AVCAL) valuation guidelines, Australian Accounting Standards, valuation methodology and assumptions, peer valuations, recent market prices, liquidity and control provisions, discussions with the Fund Manager and, where considered relevant, meetings with the underlying investee company's management.

The impact of the revaluation of managed private equities at 31 July 2019 was a gain of $1,228,471 (2018: a gain of $279,153) recognised in profit or loss.

The Group holds 'Direct Private Equity' investments in unlisted private companies which have been valued using the Board and management's best estimation of market value. The valuation considerations for managed private equity are applied to direct private equity based on recent shares issued and net assets of underlying investments, liquidity and minority shareholder provisions.

Investment property

Investment property valuations are estimated by the board and management with reference where possible to external valuations, market appraisals, recent comparable sales, date of purchase and capitalisation rate valuations. The impact on profit or loss relating to the revaluation of investment properties was a loss of $28,453,509 (2018: gain of $5,472,142).

4. Segment Information

The Group comprises of the following business segments, based on the group's management reporting systems:

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

For the year ended	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
Segment revenue		
Cash and fixed interest – interest received	256	219
Equities – dividends and option income received	726	618
Private equities – distributions received	82	449
Investment properties – rent received	20,835	19,829
Surf Hardware International business – sale of goods	42,538	37,189
	64,437	58,304
Segment other income		
Private equities – realised and unrealised gains/(losses)	1,228	(148)
Investment properties –realised and unrealised gains/(losses)	(28,044)	5,589
Other	(2,376)	321
	(29,192)	5,762
Total segment revenue and other income	35,245	64,066
Segment result		
Cash and fixed interest	256	219
Equities	726	618
Private equities	1,310	301
Investment properties	(20,690)	11,846
Surf Hardware International business	804	308
Other	(8,193)	(4,568)
Total segment result	(25,787)	8,724
Income tax benefit / (expense)	6,384	(2,189)
Net profit / (loss) after tax	(19,403)	6,535

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

4. Segment Information (Continued)

For the year ended	31 July 2019 $'000	31 July 2018 $'000
Revenue from external customers by geographical region		
Australia	31,880	30,239
United States of America	13,386	11,563
Japan	7,206	5,597
Europe	10,901	9,619
Total revenue from external customers	63,373	57,018

The Group only derives revenue from external customers in the Investment properties and Surf Hardware International business segments.

As at	31 July 2018 $'000	31 July 2018 $'000
Segment assets		
Cash and fixed interest	11,314	5,294
Equities	40,021	36,783
Private equities	4,907	3,449
Investment properties	232,016	256,678
Development properties	16,164	14,145
Surf Hardware International business	17,944	15,691
Unallocated assets	20,802	21,716
Total assets	343,168	353,756
Segment liabilities		
Investment properties	91,170	91,345
Surf Hardware International business	5,471	4,193
Unallocated liabilities	55,403	42,253
Total liabilities	152,044	137,791
Non-current assets by geographical region		
Australia	307,015	324,655
United States of America	7,116	8,016
Japan	202	398
Europe	175	99
Total non-current assets	314,508	333,168

4. Segment Information (Continued)

For the year ended	31 July 2019 $'000	31 July 2018 $'000
Payments for the acquisition of:		
- Investment properties	5,398	29,026
- Development properties	2,083	438
- Equities	8,698	1,975
Gains / (losses) on disposal or revaluation of:		
- Investment properties	(28,044)	5,589
- Private equities	1,228	(148)
Unallocated:		
- Payments for the acquisition of property, plant and equipment	654	733
- Payments for the acquisition of intangibles	472	752

Accounting policies

Segment information is prepared in conformity with the accounting policies of the Group as disclosed in note 1.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to a segment on a reasonable basis.

All segments other than Surf Hardware International business segment
Segment assets include all assets used by a segment and consist primarily of operating cash, investments, investment properties, development properties and plant and equipment, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist of borrowings. Segment assets and liabilities do not include income taxes. Tax assets and liabilities, trade and other creditors and employee entitlements and goodwill are represented as unallocated amounts.

Surf Hardware International business segment
Segment assets include all assets (excluding operating cash of $1.56 million (2018: $1.23 million) which is included in the cash segment) used by the Surf Hardware International business segment and consist primarily of trade and other receivables, inventories, plant and equipment and intangibles, net of related provisions. Segment liabilities consist of borrowings, trade and other payables and employee entitlements. Segment assets and liabilities do not include income taxes. Tax assets and liabilities are represented as unallocated amounts.

Segment cash flows
Segment information is not prepared for cash flows as management consider it not relevant to users in understanding the financial position and liquidity of the Group.

5. Operating Profit / (Loss)

For the year ended	31 July 2019 $'000	31 July 2018 $'000
Profit / (loss) from continuing operations before income tax expense includes the following specific items:		
Gains		
Private equity investment distributions	82	449
Expenses		
Interest and other borrowing costs	5,211	5,230
Employee benefits	12,735	11,166
Cost of sales	25,290	21,926

6. Income Tax Expense

For the year ended	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
Current tax	286	139
Deferred tax	(7,573)	2,199
(Over) / under provided in prior years	903	(149)
	(6,384)	2,189
Income tax attributable to:		
Profit / (loss) from continuing operations	(6,384)	2,189
Aggregate income tax (benefit) / expense on profit	(6,384)	2,189
Reconciliation of income tax (benefit) expense to prima facie tax on profit / (loss)		
Profit / (loss) from continuing operations before income tax (benefit) / expense	(25,787)	8,724
Tax at the Australian tax rate of 30% (2018: 30%)	(7,736)	2,617
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable income/ Non-deductable expenses	502	144
Franked dividends	(127)	(102)
(Over) / under provision in prior year	903	(149)
Deferred tax assets recorded not recognised and effect of tax rates in foreign jurisdictions	74	(321)
Income tax (benefit) / expense	(6,384)	2,189
Amounts recognised directly in equity Aggregated current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or (credited) to equity	(256)	741

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

7. Cash And Cash Equivalents

As at	31 July 2019 $'000	31 July 2018 $'000
Cash at bank and on hand	11,314	5,294

8. Current Loans Receivable

Loan receivable	89	-

9. Current Trade And Other Receivables

Trade debtors	8,924	8,015
Less: Provision for expected credit losses	(39)	(226)
Balance at end of year	8,885	7,789

10. Other Current Assets

Prepayments	1,750	1,271

11. Current Inventories

For the year ended	31 July 2019 $'000	31 July 2018 $'000
At cost or net realisable value Raw materials and finished goods	6,538	6,234
Balance at end of year	6,538	6,234

12. Non-Current Other Receivables

Loans to employees	1	1
Other receivables	479	566
Balance at end of year	480	567

13. Non-Current Loan Receivables

Loan receivables	2,400	1,400

Interest on loans are charged at commercial interest rates.

14. Non-Current Equities

At fair value through other comprehensive income		
Balance at beginning of year	36,783	33,969
Revaluation to fair value	(852)	1,678
Additions	8,137	1,136
Disposal proceeds	(4,047)	-
Balance at end of year	40,021	36,783

Changes in fair value of equities are recorded in equity.

15. Non-Current Private Equities

At fair value through profit or loss		
Balance at beginning of year	3,449	3,301
Revaluation to fair value	1,228	279
Additions	561	839
Disposal proceeds	(331)	(543)
Net gain / (loss) on disposal	-	(427)
Balance at end of year	4,907	3,449

Changes in fair values of private equities at fair value through the profit or loss are recorded in other income.

16. Non-Current Development Properties

At cost or net realisable value		
Balance at beginning of year	14,145	13,707
Additions	2,083	438
Transfers in / (out)	(64)	-
Balance at end of year	16,164	14,145

17. Non-Current Investment Properties

For the year ended	31 July 2019 $'000	31 July 2018 $'000
At fair value		
Balance at beginning of year	256,678	226,661
Additions	6,491	26,276
Disposal proceeds	(1,831)	(896)
Net gain / (loss) on disposal	410	(11)
Transfers in / (out)	64	297
Amortisation on incentives	(1,342)	(1,249)
Net gain / (loss) from fair value adjustment	(28,454)	5,600
Balance at end of year	232,016	256,678
Amounts recognised in profit of loss for investment properties		
Rental revenue	20,835	19,829
Direct operating expenses from rental generating properties	(8,859)	(8,342)
Net gain / (loss) on disposal	410	(11)
Gain / (loss) on revaluation	(28,454)	5,600
	(16,068)	17,076

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

	Valuation Method	Weighted average cap rate 2019	Weighted average cap rate 2018	31 July 2019 $'000	31 July 2018 $'000
Sub-regional shopping centres (Coffs Central & Port Central)	(a)	6.75%	6.25%	177,991	199,861
Neighbourhood shopping centres (Kempsey Central and Moonee Market)	(a)	7.71%	7.25%	47,640	48,800
Other properties	(b)	n/a	n/a	6,385	8,017
				232,016	256,678

(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.

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 risks (such as construction and letting risks) are taken into consideration when determining the 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 July 2019, a reduction of 0.5% in the capitalisation rate applied to each property would result in an additional gain of $18.2 million in the consolidated statement of profit or loss and consolidated statement of other comprehensive income. Similarly, an increase of 0.5% in the capitalisation rate of each property would result in an additional loss of $15.7 million in the consolidated statement of profit or loss and consolidated statement of other comprehensive income.

18. Non-Current Property, Plant and Equipment

	Freehold Property $'000	Motor vehicles $'000	Furniture, fittings & equipment $'000	Total $'000
Year ended 31 July 2019				
Opening net book amount	7,148	186	1,415	8,749
Additions	1	2	651	654
Disposals	-	(43)	(5)	(48)
Depreciation charge	(44)	(49)	(484)	(577)
Closing net book amount	7,105	96	1,577	8,778
At 31 July 2019				
Cost or fair value	7,566	414	7,877	15,857
Accumulated depreciation	(461)	(318)	(6,300)	(7,079)
Net book amount	7,105	96	1,577	8,778

	Freehold Property $'000	Motor vehicles $'000	Furniture, fittings & equipment $'000	Total $'000
Year ended 31 July 2018				
Opening net book amount	6,401	247	1,180	7,828
Additions	-	6	727	733
Revaluation to fair value	791	-	-	791
Depreciation charge	(44)	(67)	(492)	(603)
Closing net book amount	7,148	186	1,415	8,749
At 31 July 2018				
Cost or fair value	7,565	505	7,304	15,374
Accumulated depreciation	(417)	(319)	(5,889)	(6,625)
Net book amount	7,148	186	1,415	8,749

Revaluation to fair value uplifts on property, plant and equipment are recorded in equity.

19. Non-Current Intangibles

As at	31 July 2019 $'000	31 July 2018 $'000
Goodwill	2,383	2,383
Brand names	1,050	1,050
Software	256	-
Patents	847	869
Balance at end of year	4,536	4,302

Intangible assets, other than goodwill and brand names have finite useful lives. Goodwill and brand names have an indefinite useful life. Goodwill and brand names are allocated to the Surf Hardware International business segment ("the cash-generating unit").

The Group tests whether goodwill and brand names have suffered any impairment at each reporting period. The recoverable amount of the cash-generating unit is determined based on either value-in-use calculations or the estimated fair value less costs to sell.

Goodwill

The recoverable amount of goodwill is determined based on value-in-use of the Surf Hardware International business segment which is calculated based on the present value of cash flow projections over a five year period with the period extending beyond four years extrapolated using an estimated growth rate.

Five year projected cash flows in respect of the Surf Hardware International business segment are $7.3m. Key assumptions include: (a) 12.5% discount rate; (b) 4.8% per annum projected net revenue growth rate; (c) 3% per annum increase in operating expenses; and (d) 3% terminal growth rate. Based on these assumptions the Directors have determined that no impairment charge shall be recognised during the current reporting period.

Brand Names

The recoverable amount of brand names is determined based on their estimated fair value less costs to sell determined by applying the relief from royalty methodology. Key assumptions include: (a) a royalty rate of 5%; (b) 12.5% discount rate; (c) 3% per annum projected net revenue growth rate; (d) 3% per annum increase in brand maintenance expenses; and (e) 3% terminal growth rate. Based on these assumptions the Directors have determined that no impairment charge shall be recognised during the current reporting period.

20. Deferred Tax Assets

As at	31 July 2019 $'000	31 July 2018 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	383	361
Accruals	545	336
Equities	-	2,124
Derivatives	1,208	212
Tax losses	1,034	1,725
Other	236	312
Net deferred tax assets	3,406	5,070
Movements:		
Opening balance at 1 August	5,070	4,631
(Debited) / credited to profit or loss	(1,664)	439
Closing balance at 31 July	3,406	5,070
Deferred tax assets to be recovered within 12 months	741	4,229
Deferred tax assets to be recovered after 12 months	2,665	841
	3,406	5,070

21. Other Non-Current Assets

As at	31 July 2019 $'000	31 July 2018 $'000
Other assets	1,800	2,025

22. Current Trade and Other Payables

Trade creditors	4,334	2,140
Other creditors and accruals	3,036	2,571
Balance at end of year	7,370	4,711

23. Current Borrowings

Bill payable – secured	1,425	-
Market rate loan - secured	336	336
Trade facility – secured	-	112
Commercial advance facility - secured	692	-
Finance lease – secured	-	7
Balance at end of year	2,453	455

Risk

The Group's exposure to interest rate changes arising from current and non-current borrowings is set out in note 2.

Refinancing / Repayment

The Group expects to renew or refinance current borrowing facilities on normal commercial terms and rates that are acceptable to the Group prior to the respective repayment dates. Alternatively, the Group believes it has the ability to repay any outstanding debt under these facilities from excess cash reserves, proceeds received from the disposal of assets or from cash sourced or raised through the Group's operating or financing activities.

Security

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 26.

24. Current Tax Liabilities

Income tax payable	-	357

25. Current Provisions

Employee Entitlements	1,330	1,222

26. Non-Current Borrowings

Bill payable - secured	106,745	91,345
Commercial advance facility - secured	328	664
Balance at end of year	107,073	92,009

Risk

The Group's exposure to interest rate changes arising from current and non-current borrowings is set out in note 2.

Security

Details of the security relating to each of the secured liabilities and further information on banks loans are set out below.

26. Non-Current Borrowings (Continued)

Total secured liabilities	31 July 2019 $'000	31 July 2018 $'000
The total secured liabilities (current and non-current) are as follows:		
Bills payable[1]	108,170	91,345
Trade facility – secured	-	112
Market rate loan facility - secured[2]	664	1,000
Commercial advance facility – secured[3]	692	-
Finance lease – secured	-	7
	109,526	92,464

[1] $1.425m bill is secured against 328-332 Bong St, Bowral. Interest is charged at BBSY plus 1.90% p.a.

[1] $106.745 million bill is secured against Port Central Shopping Centre, Coffs Central Shopping Centre, Moonee Market Shopping Centre and Kempsey Central Shopping Centre (the "SC properties"). The facility consists of two tranches, the first tranche is a non-revolving facility, has a facility limit of $86 million (fully drawn at 31 July 2019), interest on the outstanding principal is charged at the BBSY rate p.a. and a line fee is charged at a fixed rate of 2.35% p.a. on the first tranche facility limit. The second tranche is a revolving facility, has a facility limit of $30 million, interest on the outstanding principal is charged at BBSY plus 0.70% p.a. and a line fee is charged at a fixed rate of 1.65% p.a. on the second tranche facility limit. At 31 July 2019 the current interest rate that applies to amounts advanced is 1.1714% p.a. for the first tranche and 1.8714% p.a. for the second tranche. The lender requires the Group and SC properties to meet certain financial ratios: the SC properties must have a minimum interest coverage ratio of 2.15 times; the Group must have a minimum interest coverage ratio of 2.0 times; the combined facility limit of the first and second tranches must not to exceed 55% of the aggregate market value of the SC properties; and the Group's gearing ratio must not exceed 50%.

[2] $0.664 million market rate loan facility is held by Gowings SHI Pty Limited and secured by the assets of Gowings SHI Pty Limited, Fin Control Systems Pty Ltd, Oz4u Holdings Pty Ltd, SHI Holdings Pty Ltd, Sunbum Technologies Pty Ltd, Surfing Hardware International Holdings Pty Ltd, Surf Hardware International Pty Ltd, and Surf Hardware International Asia Pty Ltd. The loan entered into during the year has a total facility limit of $1 million (drawn to $0.664 million at 31 July 2019), and interest is charged at BBSY. At 31 July 2019 the current interest rate that applies to amounts advanced is 1.1809%.

[3] $0.692 million commercial advance facility is held by Gowings SHI Pty Limited and secured by the assets of Gowings SHI Pty Limited, Fin Control Systems Pty Ltd, Oz4u Holdings Pty Ltd, SHI Holdings Pty Ltd, Sunbum Technologies Pty Ltd, Surfing Hardware International Holdings Pty Ltd, Surf Hardware International Pty Ltd, and Surf Hardware International Asia Pty Ltd. The facility was revised during the year and has a total facility limit of $2 million. At 31 July 2019 the current interest rate that applies to amounts advanced is 8.65%.

As at	31 July 2019 $'000	31 July 2018 $'000
Financing Arrangements Unrestricted access was available at balance date to the following lines of credit:		
Total facilities		
Secured bill facilities	117,650	117,650
Secured trade facility	-	2,000
Secured commercial advance facility	2,000	-
Secured market rate loan facility	664	1,000
	120,314	120,650
Used at balance date		
Secured bill facilities	108,170	91,345
Secured trade facility	-	112
Secured commercial advance facility	692	-
Secured market rate loan facility	664	1,000
	109,526	92,457
Unused at balance date		
Secured bill facilities	9,480	26,305
Secured trade facility[1]	-	1,888
Secured commercial advance facility	1,308	-
Secured market rate loan facility	-	-
	10,788	28,193

26. Non-Current Borrowings (Continued)

[1]Of the $1.31 million (2018: $1.89 million) remaining commercial advance facilty (2018: trade facility), $0.15 million (2018: $0.15 million) has been used for bank guarantees.

Off-balance sheet

There are no off-balance sheet borrowings or related contingencies other than the amount secured for bank guarantees referred to above.

27. Non-Current Provisions

As at	31 July 2019 $'000	31 July 2018 $'000
Employee entitlements	547	469

28. Deferred Tax Liabilities

The balance comprises temporary differences attributable to:		
Prepayments	278	291
Intangibles	315	315
Investment properties	23,657	30,139
Equities	4,068	6,179
Other	704	688
Net deferred tax liabilities	29,022	37,612
Movements:		
Opening balance at 1 August	37,612	33,915
Charged/(credited) to profit or loss	(8,334)	2,493
Charged/(credited) to equity	(256)	1,204
Closing balance at 31 July	29,022	37,612
Deferred tax liabilities to be settled within 12 months	278	291
Deferred tax liabilities to be settled after 12 months	28,744	37,321
	29,022	37,612

29. Contributed Equity

	Number of shares 2019	Number of shares 2018	2019 $'000	2018 $'000
Share capital				
Ordinary shares fully paid	53,939,195	53,632,915	13,288	12,476

Movements in ordinary share capital

Date	Details	Number of shares	Issue price per share	$'000
31/07/2018	Balance	53,632,915		12,476
13/11/2018	Shares issued - DRP	158,256	2.77	438
30/04/2019	Shares issued - DRP	148,024	2.52	374
31/07/2019	Balance	53,939,195		13,288

29. Contributed Equity (Continued)

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 of and amounts paid on the shares held. 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 each share is entitled to one vote.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan may be offered to shareholders by Directors and allows shareholders to reinvest dividends into shares in the Company. The Dividend Reinvestment Plan is suspended for the final dividend declared on 27 September 2019.

Deferred Employee Share Plan

The Deferred Employee Share Plan may be used as part of any incentive payments for all employees. For transaction cost reasons, where possible shares bought back as part of the Company's ongoing capital reduction program are recognised for this purpose rather than cancelled.

Options

There were no options on issue at the time of this report.

On-market share buy back

Nil shares were bought back during the year (2018: 47,344).

Capital risk management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern, so that continued returns to shareholders and benefits for other stakeholders can be provided while maintaining an optimal capital structure.

30. Reserves

As at	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
Movements		
Capital profits reserve[1]		
Opening balance	90,503	90,503
Transfer from retained profits	-	-
Closing balance	90,503	90,503
Long term investment revaluation reserve[2]		
Opening balance	9,722	8,547
Fair value adjustments		
- Equities	(852)	1,678
- Deferred tax applicable to fair value adjustments	256	(503)
- Transfer of gains on sale of equity instruments at fair value through comprehensive income to retained earnings, net of tax	(818)	-
Closing balance	8,308	9,722
Asset revaluation reserve[3]		
Opening balance	1,591	1,037
Fair value adjustments on property, plant and equipment		
- Property, plant and equipment	-	791
- Deferred tax applicable to fair value adjustments	-	(237)
Closing balance	1,591	1,591
Foreign currency translation reserve[4]		
Opening balance	140	(162)
Exchange differences on translation of foreign operations	254	302
Closing balance	394	140
Total reserves	100,796	101,956

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

[1] The capital profits reserve is used to record pre-CGT profits.
[2] The long term investment revaluation reserve is used to record increments and decrements on equities held at fair value through other comprehensive income.
[3] The asset revaluation reserve is used to record increases and decreases in the fair value of property, plant and equipment recognised in other comprehensive income.
[4] The foreign currency translation reserve records exchange rate differences arising on translation differences on foreign controlled subsidiaries.

31. Dividends

As at	31 July 2019 $'000	31 July 2018 $'000
Ordinary shares		
2018 final dividend of 6.0 cents (2017: 6.0 cents final) per share	3,218	3,221
2019 interim dividend of 5.0 cents (2018: 6.0 cents interim) per share	2,690	3,221
Total dividends declared	5,908	6,442
Dividends paid in cash	5,096	6,442
Dividends paid via Dividend Reinvestment Plan	812	-
	5,908	6,442

Franked dividends declared and paid during the year were fully franked at the tax rate of 30% (2018: 30%).

Dividends declared after year end

Subsequent to year end the Directors have declared the payment of a final dividend of 5.0 cents per ordinary share fully franked based on tax paid at 30%. The maximum amount of the proposed dividend expected to be paid on 31 October 2019 out of retained profits at 31 July 2019 is $2,696,960.

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

Franked dividends
The franked portions of the final dividends declared after 31 July 2019 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 July 2019.

Franking credits available for subsequent financial years (tax paid basis)	4,540	6,678

The above amounts are based on the balance of the franking account at year end, adjusted for:

(a) franking credits that will arise from the payment of the current tax receivable;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and

(d) franking credits that may be prevented from being distributed in subsequent financial years.

32. Remuneration of Auditors

	31 July 2019 $	31 July 2018 $
Audit and review – parent entity	113,300	105,000
Audit and review – subsidiary companies	73,700	62,500
Tax services	29,520	79,500
	216,520	247,000

33. Commitments For Expenditure

Capital commitments – Private equities

The Group has uncalled capital commitments of up to $1,070,346 (2018: $1,132,923) in relation to private equity and property fund investments held at year end.

Capital commitments – Investment properties

The Group has capital commitments of $2,123,474 (2018: $1,342,517) in relation to construction works on investment properties at year end.

33. Commitments For Expenditure (Continued)

Operating lease commitments

The Group has entered into leases for commercial premises, motor vehicles, and office equipment. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	31 July 2019 $	31 July 2018 $
Within one year	1,448	922
Later than one year but not later than five years	2,599	909
Later than five years	-	30
	4,047	1,861

34. Related Parties

Directors

The names of persons who were Directors of Gowing Bros. Limited at any time during the financial year were Messrs J. E. Gowing, J. G. Parker, Prof. J. West and S. J. Clancy.

Those persons that were also Directors during the year ended 31 July 2018.

Remuneration

Information on remuneration of Directors and other key management personnel is disclosed in the remuneration report.

Directors and other key management personnel		
Short-term employee benefits	953,747	1,723,628
Share based compensation	-	-
Post-employment benefits	74,384	78,380
Long-term benefits	7,432	(55,718)
	1,035,563	1,746,290

Movement in shares

Key management person	Shares held* at 31-Jul-17 No.	Shares acquired/ (disposed) during the year No.	Shares held* at 31-Jul-18 No.	Shares acquired/ (disposed) during the year No.	Shares held* at 31-Jul-19 No.
J. E. Gowing	20,888,150	-	20,888,150	154,448	21,042,598
J. G. Parker	55,000	-	55,000	2,306	57,306
Prof. J. West	397,581	80,000	477,581	-	477,581
S. J. Clancy	5,000	-	5,000	-	5,000

*Directly and indirectly

Detailed remuneration disclosures can be found in the remuneration report on pages 40 to 42.

Other key management personnel did not hold shares in the Company.

Receivables from Directors and Executives

At year end there were no receivables from the Directors and executives (2018: $nil).

34. Related Parties (Continued)

Transactions with key Management Personnel & Directors

Key management person	Transaction type	31 July 2019 $	31 July 2018 $
J. E. Gowing	Marketing services	96,443	82,250
J. E. Gowing	Associate director services	10,950	10,950

The wife of Mr J E Gowing, Managing Director, is a Director of Creative License Pty Limited. Creative License Pty Limited provided marketing services totalling $41,994 (2018: $36,150) for the year. The sons of Mr J E Gowing provided marketing services during the year on an employment basis totalling $54,449 (2018: $46,100), and associate director services totalling $10,950 (2018: $10,950).

There were no other transactions with Directors and Director related entities and Executives.

35. Interests In Other Entities (Excluding Joint Ventures)

The Group's principal subsidiaries and other interests are set out below:

Unless otherwise stated, subsidiaries and other interests listed below have share capital comprising of ordinary shares or ordinary units which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group.

Entity Name	Country of Incorporation	Ownership Interest % 2019	Ownership Interest % 2018
Pacific Coast Developments 357 Pty Ltd	Australia	100	100
Pacific Coast Developments 357 Fund	Australia	99.9	99.9
1868 Capital Pty Ltd	Australia	100	100
Pacific Coast Developments 112 Fund	Australia	99.9	99.9
Gowings SHI Pty Ltd	Australia	99.9	99.9
SHI Holdings Pty Ltd	Australia	99.9	99.9
Fin Control Systems Pty Ltd	Australia	99.9	99.9
Surfing Hardware International Holdings Pty Ltd	Australia	99.9	99.9
Surf Hardware International Asia Pty Ltd	Australia	99.9	99.9
Surf Hardware International Europe SARL	France	99.9	99.9
Surf Hardware International UK Ltd	England	99.9	99.9
OZ4U Holdings Pty Ltd	Australia	99.9	99.9
Sunbum Technologies Pty Ltd	Australia	99.9	99.9
Surfing Hardware International USA Inc.	United States of America	99.9	99.9
Surf Hardware International USA Inc.	United States of America	99.9	99.9
Surf Hardware International Hawaii Inc.	United States of America	99.9	99.9
Surf Hardware International Japan KK	Japan	99.9	99.9
Surf Hardware International Pty Ltd	Australia	99.9	99.9
Surf Hardware International New Zealand Pty Ltd	New Zealand	99.9	-
Gowings Master Trust	Australia	100	100
1868 High Yield Trust	Australia	100	100
Gowings Life Sciences Trust	Australia	100	100
Gowing Bros Management Services Pty Ltd	Australia	100	100
Coastbeat Pty Ltd	Australia	100	100

No other interests in subsidiaries or other entities (excluding joint ventures) were held by the Group in the 31 July 2019 financial year. Non-controlling interests in subsidiaries and other interests of the Group are not material to the Group.

Significant Restrictions

Other than certain assets pledged as security detailed in note 26, there are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

36. Interests In Joint Ventures

The Group has entered into a joint venture operation known as Regional Retail Properties, a long term investment in a small regional retail centre. The Group has a 50% participating interest in this joint venture and is entitled to 50% of its output.

The Group's interests in the assets employed in the joint ventures are included in the consolidated statement of financial position, in accordance with the accounting policy described in note 1(p), under the following classifications:

	31 July 2019 $'000	31 July 2018 $'000
Current assets		
Cash	24	70
Trade and other receivables	21	8
Total current assets	45	78
Non-current assets		
Investment properties	3,000	3,000
Total non-current assets	3,000	3,000
Current share of assets employed in joint venture	3,045	3,078
Current liabilities		
Trade and other payables	27	17
Borrowings	1,425	-
Total current liabilities	1,452	17
Non-current liabilities		
Borrowings	-	1,600
Total non-current liabilities	-	1,600
Current share of liabilities employed in joint venture	1,452	1,617
Net assets employed in joint venture	1,593	1,461

$1.425 million of borrowings is secured against investment properties of Regional Retail Properties (note 26).

37. Share Based Payments

The Deferred Employee Share Plan has been in operation since 2006 which allows fully paid ordinary shares to be issued for no cash consideration from shares held by the Plan. All Australian resident permanent employees and non-executive Directors are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

Shares are acquired on-market prior to the issue. Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment of the Group. In all other respects the shares rank equally with other fully-paid ordinary shares on issue.

Options

No options were on issue at year end (2018: Nil).

38. Earnings / (Loss) Per Share

	31 July 2019	31 July 2018 (Restated)*
Basic earnings / (loss) per share (cents)	(36.07)c	12.18c
Diluted earnings / (loss) per share (cents)	(36.07)c	12.18c
Weight average number of ordinary shares on issue	53,782,955	53,675,837
Net profit / (loss) after tax	$(19,403,000)	$6,535,000

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

39. Parent Entity Information

The following information has been extracted from the books and records of the Company and has been prepared in accordance with Australian Accounting Standards:

Statement of Financial Position

	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
Assets		
Current assets	13,479	7,318
Non-current assets	326,383	344,069
Total assets	339,862	351,387
Liabilities		
Current liabilities	7,007	3,922
Non-current liabilities	138,818	128,863
Total liabilities	145,825	132,785
Net assets	194,037	218,602
Equity		
Issued capital	13,288	12,476
Capital profits reserve	90,503	90,503
Long term investment revaluation reserve	8,308	9,722
Asset revaluation reserve	1,591	1,591
Retained earnings	80,347	104,310
Total equity	194,037	218,602

Statement of Profit or Loss and other Comprehensive Income

Net profit / (loss) after income tax	(18,873)	7,195
Total comprehensive income / (loss)	(19,470)	8,923

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

Parent entity contractual commitments

The Company has no contractual commitments other than uncalled capital commitments for private equities and commitments for construction works on investment properties as noted in note 33 (2018: Uncalled capital commitments for private equities and construction works on investment properties as noted in note 33).

Parent entity contingent liabilities

The Company has no contingent liabilities at year end (2018: None).

Parent entity guarantees in respect to debts of its subsidiaries

The Company has not entered into any guarantees in respect to debts of its subsidiaries at year end (2018: None).

40. Reconciliation of Net Profit / (Loss) to Net Cash Inflow from Operating Activities

	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
Profit / (loss) from ordinary activities after income tax	(19,403)	6,535
Amortisation of lease incentives	1,342	1,429
Depreciation and amortisation	815	603
Net gain on sale of equities and private equities	-	427
Net gain on sale of property, plant and equipment	(22)	-
Net loss on sale of investment properties	(410)	11
Revaluation of investment properties to market value	28,454	(5,600)
Revaluation of equities and private equities to market value	(1,228)	(279)
Revaluation of derivative to market value	3,319	418
Borrowing costs relating to financing activities (derivatives)	-	1,584
Borrowing costs relating to financing activities (borrowings)	-	192
Decrease / (increase) in receivables	(1,009)	(867)
Decrease / (increase) in prepayments	(254)	(184)
Decrease / (increase) in inventories	(304)	402
Increase / (decrease) in income taxes	(7,112)	791
Increase / (decrease) in employee entitlements	186	118
Increase / (decrease) in trade creditors and accruals	1,795	(1,368)
Net cash inflow from operating activities	6,169	4,212

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

41. Changes in Liabilities Arising from Financing Activities

Liabilities from financing activities	Opening balance – 31 July 2018	Cash flows from financing activities	(Gains)/ loss on disposal or revaluation (non-cash)	Closing balance – 31 July 2019
Derivatives[1]	708	-	3,319	4,027
Borrowings[2]	92,464	17,062	-	109,526
		17,062[3]	3,319	

[1] Relates to current and non-current derivatives.
[2] Relates to current and non-current borrowings.
[3] Relates to the following cash flows from financing activities for the year ended 31 July 2019 :

-Proceeds from borrowings	17,692
-Repayments from borrowings	(630)
	17,062

42. Subsequent Events

No matter or circumstance has arisen since the end of the financial year, other than the dividend declared (refer note 31) which has 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 year.

43. Other Information

Gowing Bros. Limited is incorporated and domiciled in New South Wales. The registered office, and principal place of business, is Unit 21, Jones Bay Wharf, 26 – 32 Pirrama Rd, Pyrmont NSW 2009.

Phone:	61 2 9264 6321
Facsimile:	61 2 9264 6240
Email:	info@gowings.com
Website:	www.gowings.com

Gowing Bros. Limited shares are listed on the Australian Securities Exchange.

The share register is maintained by Computershare Investor Services Pty. Limited, Level 3, 60 Carrington Street, Sydney NSW 2000, Telephone 1300 855 080, Overseas callers +61 (0)2 8234 5000, Facsimile + 61 (0)2 8234 5050.

Directors' Declaration

1. In the directors' opinion:
   (a) the consolidated financial statements and notes set out on pages 45 to 80 are in accordance with the Corporations Act 2001, including:
      (i) complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
      (i) giving a true and fair view of the Group's financial position as at 31 July 2019 and of its performance for the financial year ended 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.
2. The notes to the consolidated financial statements include a statement of compliance with International Financial Reporting Standards.
3. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 31 July 2019 required by section 295A of the Corporations Act 2001.

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

Professor J. West
Director

Sydney
14 October 2019

J. E. Gowing
Director

Sydney
14 October 2019

GOWING BROS. LIMITED ACN 000 010 471

AUDITOR'S INDEPENDENCE DECLARATION

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

(a) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
(b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to the Gowing Bros. Limited and the entities it controlled during the year.

Sydney, NSW
14 October 2019

S Grivas
Partner

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GOWING BROS. LIMITED ACN 000 010 471

INDEPENDENT AUDITOR'S REPORT

To the Members of Gowing Bros. Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Gowing Bros. Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 July 2019, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 the Group is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 31 July 2019 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 Group 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 ("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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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HLB MANN JUDD

GOWING BROS. LIMITED ACN 000 010 471

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of subregional and neighbourhood shopping centre investment properties and investment properties under development Note 17	
The aggregate fair value of the Group's subregional and neighbourhood shopping centre investment properties and investment properties under development as at 31 July 2019 is \$225.63 million, representing 65.7% of the Group's total assets as at that date. The fair values of the Group's investment properties and investment properties under development were assessed either by management and /or assessed by management based on independent valuations prepared by an independent valuer. The valuation of the Group's investment properties and investment properties under development requires significant judgement and the use of subjective assumptions and estimates in determining fair value including selecting the appropriate valuation methodology, market rental rates, vacancy allowances and capitalisation rates and, for investment properties under development, an estimation of costs to complete the investment property. We have identified the valuation of the Group's investment properties and investment properties under development as a key audit matter because of the significance to the Group's consolidated financial statements and level of significant judgements and assumptions applied to determine fair value.	Our audit procedures to assess the valuation of investment properties and investment properties under development included: • assessing the competence, capability, experience, independence and objectivity of external valuers appointed by management. • evaluating the valuation methodology applied. • testing the reliability and reasonableness of inputs to underlying contracts and supporting documentation. • testing the appropriateness of assumptions and estimates with reference to historical rates and results, available market data and other supporting documentation. • checking the mathematical accuracy of valuation calculations. • for investment properties under development, evaluated management's estimated costs to complete with reference to construction contracts, quantity surveyor reports and other supporting documentation. • reviewing the Group's disclosures with reference to Australian Accounting Standards
Valuation of Unlisted Equities Note 2, 14 & 15	
At 31 July 2019 the Group owned investments of \$27.67 million in a number of unlisted equities which have been included in the Group's consolidated statement of financial position. Management assess the value of these investments at least annually, using various valuation techniques, such as a recent arm's length transaction, reference to other instruments that are of a similar nature and relying as little as possible on unobservable inputs. This is considered a key audit matter due to the significant judgment involved in assessing the valuation of these assets, as they are often traded in low volume markets.	Our audit procedures to assess the valuation unlisted equities included: • assessing the valuation methodology applied by management. • reviewing valuation inputs including evidence of recent arm's length transactions and agreeing these transactions to external sources. • reviewing the Group's disclosures with reference to Australian Accounting Standards

HLB MANN JUDD

GOWING BROS. LIMITED ACN 000 010 471

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 July 2019, but does not include the financial report and our auditor's report thereon.

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, 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 the 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 ability of the Group 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 Group or to cease operations, or have no realistic alternative but to do so.

GOWING BROS. LIMITED ACN 000 010 471

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 this 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.
- 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 Group'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 Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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, related safeguards.

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.

GOWING BROS. LIMITED ACN 000 010 471

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 40 to 42 of the directors' report for the year ended 31 July 2019.

In our opinion, the Remuneration Report of Gowing Bros. Limited for the year ended 31 July 2019 complies with section 300A of the Corporations Act 2001.

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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Sydney, NSW
14 October 2019

S Grivas
Partner

Issues to Shareholders Since 19 September 1985

Date	Particulars	Issued From	Issue Price $
31/10/1985	Bonus issue in lieu	Asset Revaluation reserve	
30/04/1986	Bonus issue in lieu	Asset Revaluation reserve	
31/10/1986	Bonus issue in lieu	Asset Revaluation reserve	
16/03/1987	1 for 2 Bonus issue	Asset Revaluation reserve	
30/04/1987	Bonus issue in lieu	Asset Revaluation reserve	
30/04/1988	Dividend Re-investment	Accumulated profits	2.50
31/10/1988	Dividend Re-investment	Accumulated profits	3.70
30/04/1989	Dividend Re-investment	Accumulated profits	3.75
30/04/1989	Special Scrip dividend	Accumulated profits	
16/11/1989	Dividend Re-investment	Accumulated profits	4.35
31/10/1990	1 for 10 Bonus issue	Share Premium – Special Dividend Reserve	
31/10/1991	1 for 20 Bonus issue	Share Premium Reserve	
30/04/1992	Dividend Re-investment	Accumulated profits	3.75
31/10/1992	Dividend Re-investment	Accumulated profits	3.80
29/10/1993	Dividend Re-investment	Accumulated profits	3.60
29/04/1994	Dividend Re-investment	Accumulated profits	3.50
28/04/1995	Dividend Re-investment	Accumulated profits	2.60
28/04/1995	Bonus in Lieu Share Plan	Share Premium Reserve	
03/10/1995	1 for 10 Bonus issue	Share Premium Reserve	
31/10/1995	Dividend Re-investment	Accumulated profits	3.00
31/10/1995	Bonus in Lieu Share Plan	Share Premium Reserve	
26/04/1996	Dividend Re-investment	Accumulated profits	2.90
26/04/1996	Bonus in Lieu Share Plan	Share Premium Reserve	
30/10/1996	Dividend Re-investment	Accumulated profits	3.10
30/10/1996	Bonus in Lieu Share Plan	Share Premium Reserve	
25/04/1997	Dividend Re-investment	Accumulated profits	4.50
25/04/1997	Bonus in Lieu Share Plan	Share Premium Reserve	
15/05/1997	2 for 1 Share Split		
31/10/1997	Dividend Re-investment	Accumulated profits	2.60
31/10/1997	Bonus in Lieu Share Plan	Share Premium Reserve	
30/04/1998	Dividend Re-investment	Accumulated profits	2.35
30/04/1998	Bonus in Lieu Share Plan	Share Premium Reserve	
03/11/1998	Dividend Re-investment	Accumulated profits	2.10
03/11/1998	Bonus in Lieu Share Plan		
28/04/1999	Dividend Re-investment	Accumulated profits	1.90
28/04/1999	Bonus in Lieu Share Plan		
18/11/1999	Dividend Re-investment	Accumulated profits	1.95
18/11/1999	Bonus in Lieu Share Plan		
28/04/2000	Dividend Re-investment	Accumulated profits	1.95
28/04/2000	Bonus in Lieu Share Plan		
27/10/2000	Dividend Re-investment	Accumulated profits	1.80
27/04/2001	Dividend Re-investment	Accumulated profits	2.36
19/10/2001	Dividend Re-investment	Accumulated profits	1.95
18/12/2001	In Specie Distribution	G Retail Ltd shares issued on listing	
22/04/2002	Dividend Re-investment	Accumulated profits	1.90
25/10/2002	Dividend Re-investment	Accumulated profits	1.80
18/12/2002	Dividend Re-investment	Accumulated profits	1.95
24/04/2003	Dividend Re-investment	Accumulated profits	1.90
24/10/2003	Dividend Re-investment	Accumulated profits	2.40
24/10/2003	Bonus in Lieu Share Plan		
23/04/2004	Dividend Re-investment	Accumulated profits	2.40
23/04/2004	Bonus in Lieu Share Plan		
25/10/2004	Dividend Re-investment	Accumulated profits	2.55
22/04/2005	Dividend Re-investment	Accumulated profits	2.70
22/04/2005	Bonus in Lieu Share Plan		
17/07/2009	Dividend Re-investment	Accumulated profits	2.87
05/11/2010	Dividend Re-investment	Accumulated profits	2.42
17/12/2010	1 for 8 Rights issue	Share capital	2.20
05/11/2015	1 for 10 Bonus issue	Share capital	
13/11/2018	Dividend Re-investment	Accumulated profits	2.77
30/04/2019	Dividend Re-investment	Accumulated profits	2.52

"Investing Together for a Secure Future"

- John Gowing -

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