Enriching People's
Lives, since 1868

APPENDIX 4E | For the year ended 31 July 2019

GOWING BROS

Investing together for a secure future

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 31 July 2019 with the previous corresponding period being the year ended 31 July 2018.

		31 Jul 2019	31 Jul 2018
REVENUE			
Total Revenue (1)	Up 11%	$64.4 million	$58.3 million
Other income (2)	Down 603%	$(29.2) million	$5.8 million
EARNINGS			
Profit after tax (3)	Down 397%	$(19.4) million	$6.5 million
Pacific Coast Shopping Centre Portfolio EBITDA (4)	Up 3%	$14.0 million	$13.6 million
Earnings per share	Down 396%	(36.07) c	12.18 c*
NET ASSETS PER SHARE			
Before provision for tax on unrealised gains (5)	Down 15%	$3.83	$4.52
DIVIDENDS			
2019 Final fully franked dividend per share (6)		5 cents	
2019 Interim fully franked dividend per share		5 cents	

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

COMMENTS

(1) Total Revenue was up 11% on the prior year, mainly due to the increase in revenue from Surf Hardware International and an increase in rents for Coffs Central.

(2) Other income of $(29.2) million was largely attributable to the non-cash revaluation to market of the fixed interest rate hedge and the Pacific Coast Shopping Centre ("PCSC") portfolio. The adjustment is in line with the softening capitalisation rates the market is currently experiencing for regional shopping centre assets.

(3) Profit After Tax decreased to a loss of $(19.4) million. This was largely attributable to the impact of the adjustment in valuation of the PCSC. The underlying operational profit before tax for the year was $4.9 million and the cash generated from the operational activities per the cashflow statement was $6.2 million. For more detail refer the profit and loss on page 5 of the report.

(4) Pacific Coast Shopping Centre EBITDA of $14.0 million, defined as net earnings before interest, amortisation, and revaluations, was up due to increased rental income from Coffs Central and Moonee Market.

(5) Net assets per share before tax on unrealised gains on equities, investment properties, and freehold properties decreased to $3.83 from $4.52 during the year ended 31 July 2019. This included the payment of 11.0c in dividends.

(6) A final dividend of 5 cents fully franked has been declared. The record date for the final dividend is 10 October 2019, with a payment date of 31 October 2019. The dividend reinvestment plan has been suspended for this dividend.

Refer to the Managing Director's review of operations for further details on the results and investments.

This report is based on financial statements which are in the process of being audited.

MANAGING DIRECTORS 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, continued weakness in the housing market, the building trade war between USA and China, and a significant, unexpected 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 Banks 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 at 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.

MANAGING DIRECTORS REVIEW OF OPERATIONS (CONTINUED)

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

PROFIT AND LOSS STATEMENT

For the year ended	31 Jul 2019 $'000	31 Jul 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**
Gain/(loss) 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 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*

KEY METRICS

	31 July 2019	31 July 2018	31 July 2017	31 July 2016	31 July 2015
Net Assets(1)	$206.8m	$242.7m	$237.9m	$215.9m	$203.3m
Net Assets per Share(2)	$3.83	$4.52	$4.43	$4.02	$3.77
Net profit after tax	($19.4)m	$6.5m(3)	$23.2m	$22.0m	$19.1m
Earnings per Share(2)	(36.07)c	12.18c(3)	43.29c	40.9c	35.5c
Dividends per Share(2)	11.0c	12.0c	12.0c	12.0c	12.0c
Total Shareholder Return	(12.8%)	4.7%	13.2%	9.8%	16.30%

(1) Net Assets before tax on unrealised gains on equities, investment properties, and freehold properties.

(2) Net Assets per share before tax on unrealised gains on equities, investment properties, and freehold properties. Net Assets per share and Earnings per Share as at 31 July 2015 have been restated for comparative purposes to reflect the 1 for 10 bonus issue during FY16. Dividends per share have not been adjusted.

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

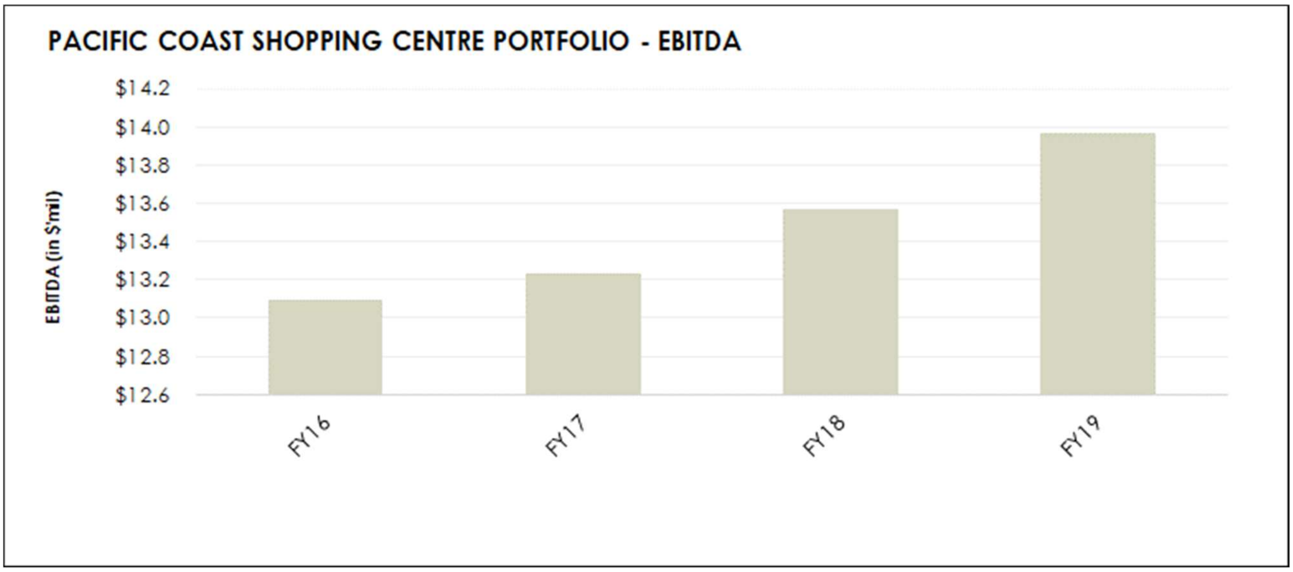
FINANCIAL REVIEW

The Group recorded a loss after tax of $19.4 million which was lower than the $6.5 million profit recorded for the previous financial year. The variance is due to: the revaluation adjustment on the Pacific Coast Shopping Centre ("PCSC") portfolio; the mark to market of the long-term interest rate hedge; the increase in borrowing costs due to the extended finance facility to fund the redevelopment works at Coffs Central, the cinema at Kempsey Central, the Moonee Market upgrades and also the stage 1 works at Sawtell Commons.

During the period at Coffs Central, bcu moved into its new head office on level 3 & 4, Kmart continued its successful start to trading, and the abatements offered in the prior periods due to the redevelopment construction were reversed. This had a positive impact on the net operating income of the centre. At Kempsey Central, the operating income was down due to the vacant Target Country space and rental abatements given to sitting retailers during for the construction period. The cinema is due to open in November 2019, when we expect to see a return to previous operating income levels with the potential to increase by leasing out the remaining vacant spaces.

Across the PCSC portfolio, the leasing team have been diligently working through the challenging retail climate to fill vacant tenancies and secure renewals from existing tenants.

Given these conditions it is pleasing to see the underlying EBITDA of the PCSC portfolio has continued to grow year on year since 2016.



During the year the directors reviewed the carrying values for the PCSC portfolio and agreed that while the underlying EBITDA had improved, a revaluation adjustment downward was prudent to reflect increased uncertainty in the retail property market and the trend for softening capitalisation rates for regional shopping centres. A reduction in the carrying value of $28.5 million was recorded.

An additional $17.0 million was drawn down on the CBA facility bringing the total amount drawn to $106.7 million. These funds are being deployed for the current Kempsey cinema construction and Sawtell Commons earthworks. The remaining funds on hand at the year end will be utilised for the future development works as well as for various investment opportunities.

It is pleasing to note that at Sawtell Commons, 8 contracts for sale of land have been exchanged to date. These contracts are due to settle in the coming months after the Coffs Harbour Council releases the linen plan. The sales figures achieved to date have exceeded those used in the original feasibility study. From an accounting perspective revenue on the sales will only be realised once settlement is completed.

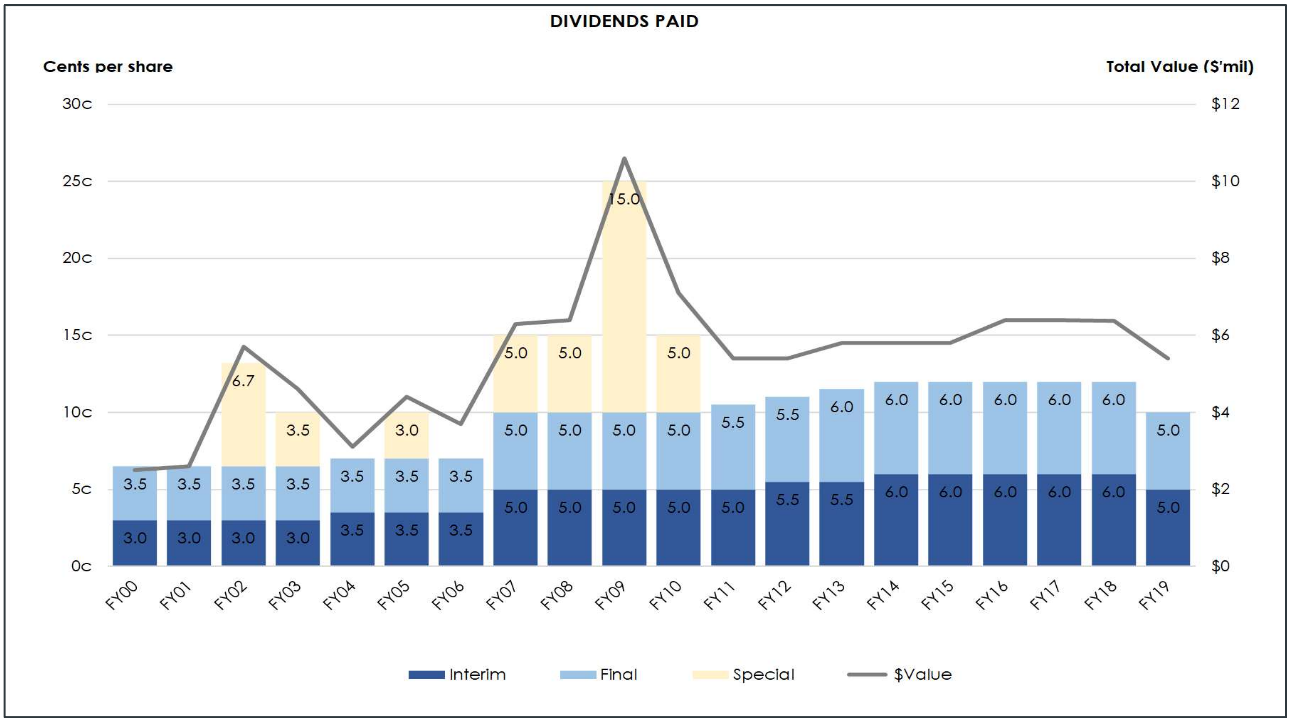
In the following years we expect to see improvements to the financial results due the profits for stage 1 and 2 releases for Sawtell Commons, securing tenants for the vacant new spaces in Coffs Central, and stronger performance of Surf Hardware International due to new product ranges and increased focus on online sales.

SHAREHOLDER RETURNS

For the year ended 31 July 2019	Net Assets Before tax on unrealised capital gains	Net Assets After tax on unrealised capital gains	Net Tangible Assets Before tax on unrealised capital gains	Net Tangible Assets After tax on unrealised capital gains
Opening per share 31 Jul 2018	$4.52	$4.03	$4.44	$3.95
Closing per share 31 Jul 2019	$3.83	$3.54	$3.75	$3.46
Increase in net assets per share	$(0.69)	$(0.49)	$(0.69)	$(0.49)
Ordinary dividend paid	$0.11	$0.11	$0.11	$0.11
Total return for the 12 month period (c)	$(0.58)	$(0.38)	$(0.58)	$(0.38)
Total return for the 12 month period (%)	(12.8%)	(9.4%)	(13.1%)	(9.6%)

The Company meets the definition of a Listed Investment Company ("LIC") for taxation purposes. Certain shareholders of the Company, including individuals, trusts, partnerships and complying superannuation entities may benefit from the Company's LIC status by being able to claim a tax deduction for the part of the dividend that is attributable to LIC capital gains made by the Company. The amount that shareholders can claim as a tax deduction depends on their individual situation. As an example, an individual, trust (except a trust that is a complying superannuation entity) or partnership who is an Australian resident taxpayer at the date a dividend is paid would be entitled to a tax deduction equal to 50% of the amount attributable to LIC capital gains included in the dividend.

DIVIDEND HISTORY



The directors have declared a final fully franked dividend of 5c per share with a record date of 10 October 2019 and payment date of 31 October 2019.

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.

INVESTMENT PORTFOLIO

Strategic Investments

<u>Surf Hardware International ($16 million)</u>

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.

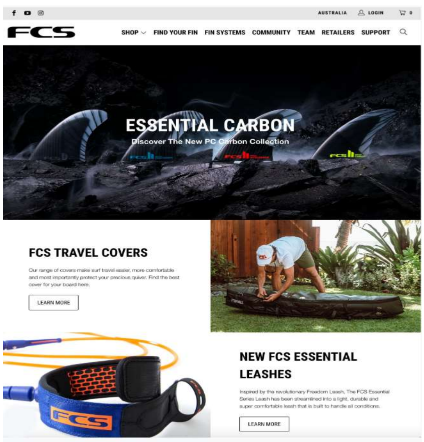
FCS athletes performed well during the year collecting several Men's WSL event victories and Gabriel Medina claimed the Men's 2018 world title riding the FCS II system and fins. Stephanie Gilmore, whilst not officially sponsored by the brand, claimed the Women's 2018 world title also riding the FCS II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

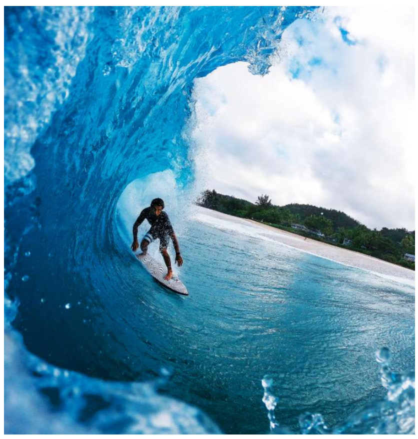
The new "Freedom to Escape" campaign was launched during the year supporting the introduction of a new range of FCS Travel Bags, Packs & Accessories. Also, during the year SHI launched the FCS Shaper Awards, an initiative designed to recognise and honour some of the world's leading surfboard shapers.

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.





Boundary Bend ($14.8 million)

Boundary Bend is Australia's leading producer of premium extra virgin olive oil and Australia's largest olive farmer. Boundary Bend produces Australia's two top selling 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 a 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.

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

Carlton Investments Limited is a listed investment company, incorporated in 1928 and traded on the ASX. Carlton Investments' strategy is to invest in established, well managed Australian listed entities that are 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.

Hydration Pharmaceuticals ($1.4 million)

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

Murray Darling Food Company ($2.2 million)

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.

DiCE Molecules ($2.4 million)

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.

BBBSA Finance ($2.4 Million)

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

In late FY2018 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.

National Stock Exchange of Australia Limited ($2.1 million)

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.

FY2019 was a pivotal year for the NSX, marked by the delivery of critical infrastructure projects, enhancing market access and engaging at the forefront of critical issues impacting equity capital markets in Australia. NSX has continued to build liquidity by expanding their broker base, attracting new listings, and building strategic alliances in the industry.

Phalla Pharma Limited / TPI Enterprises Limited ($1.4 million)

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.

Hexima ($0.9 million)

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

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.

Blackfynn ($0.4 Million)

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.

EFTsure ($0.4 million)

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.

PowerPollen Accelerated Ag Technologies ($0.3 million)

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.

Private Equity Funds

Five V Capital ($1.7 million)

Five V Capital has been set up and managed by Adrian MacKenzie and Srdjan Dangubic, experienced Australian private equity and venture capital managers with whom Gowings have enjoyed a long relationship.

Gowings have committed $1 million to Five V's Fund II which invests in businesses across Australia and New Zealand 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 million)

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.

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 million)

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.

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.

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.

Moonee Marketplace

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.

Other Direct Properties

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.

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.

FUNDS MANAGEMENT

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. In setting strategy for each of the funds under consideration 1868 Capital has looked for entities with potential for high growth, companies that are poised to expand off the back of increased demand for quality products and giving investors exposure to a broad range of investments. Several suitable seed assets have already been acquired.

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.

DIRECTORS' REPORT

DIRECTORS

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

Name	Position
Professor J. West	Non-Executive Chairman
J. E. Gowing	Managing Director
J. G. Parker	Non-Executive Director
S. J. Clancy	Non-Executive Director
N. Rogan	Head of Funds Management and Company Secretary (Resigned 23 April 2019)
I. Morgan	Company Secretary (Appointed 16 April 2019)
R. Ambrogio	Chief Financial Officer and Company Secretary (Appointed Company Secretary 31 July 2019)

REVIEW OF OPERATIONS

Refer to results for announcement to the market.

ROUNDING OFF

The company is of a kind referred to in ASIC Corporations (Rounding in the Financial/ Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and 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.

Dated this 27th day of September 2019 in accordance with a resolution of the directors.

J. E. Gowing
Director

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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		82	449
Investment properties	5	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		1,228	(148)
Investment properties	5	(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	5	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		5,211	5,230
Depreciation		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		**(25,787)**	**8,724**
Income tax benefit / (expense)	4	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 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 will not 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	10	(36.07)c	12.18c
Diluted earnings / (loss) per share	10	(36.07)c	12.18c

The above Consolidated Statement of 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		11,314	5,294
Loans receivable		89	-
Inventories		6,538	6,234
Trade and other receivables		8,885	7,789
Current tax receivable		84	-
Other		1,750	1,271
Total current assets		**28,660**	**20,588**
Non-current assets			
Trade and other receivables		480	567
Loans receivable		2,400	1,400
Equities		40,021	36,783
Private equities		4,907	3,449
Development properties		16,164	14,145
Investment properties	5	232,016	256,678
Property, plant and equipment		8,778	8,749
Intangibles		4,536	4,302
Deferred tax assets		3,406	5,070
Other		1,800	2,025
Total non-current assets		**314,508**	**333,168**
Total assets		**343,168**	**353,756**
Current liabilities			
Trade and other payables		7,370	4,711
Borrowings		2,453	455
Derivatives		895	708
Current tax liabilities		-	357
Provisions		1,330	1,222
Total current liabilities		**12,048**	**7,453**
Non-current liabilities			
Trade and other payables		222	248
Borrowings		107,073	92,009
Derivatives		3,132	-
Provisions		547	469
Deferred tax liabilities		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	7	13,288	12,476
Reserves	9	100,796	101,956
Retained profits	6	77,042	101,535
Contributed equity and reserves attributable to members of Gowings 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.*

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed Equity $'000	Capital Profits Reserve-Pre CGT $'000	Revaluation Reserves $'000	Foreign Currency Translation Reserve $'000	Retained Profits $'000	Non-Controlling Interests $'000	Total $'000
Balance at 31 July 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 Paid	-	-	-	-	(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 Paid	-	-	-	-	(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		(5,211)	(3,454)
Income taxes paid		(355)	(1,380)
Net cash inflows from operating activities		**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	5	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		17,244	33,764
Repayment of borrowings		(182)	(79)
Payments for derivatives		-	(2,027)
Dividends paid		(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		**11,314**	**5,294**

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gowing Bros. Limited ("the Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX"). This preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. This preliminary financial report comprises the Company and its controlled entities (referred herein as "the Group").

The preliminary final report is presented in Australian dollars and is prepared under the historical cost convention, modified by the revaluation of listed equities and direct unlisted investments (financial assets at fair value through other comprehensive income), private equities (financial assets at fair value through profit or loss), derivatives (financial liabilities at fair value through profit or loss), investment properties and certain classes of property, plant and equipment.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or future periods if the revision affects both current and future periods.

This report is based on financial statements which are in the process of being audited.

Rounding of amounts

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(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 31 July 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Impairment of financial assets

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

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

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

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

(iii) Other impacts

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

Other amending Accounting Standards and Interpretations

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

2. 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
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 – unrealised fair value gains / (losses)	1,228	(148)
Investment properties – unrealised fair value gains / (losses)	(28,044)	5,589
Other gains / (losses)	(2,376)	321
	(29,192)	**5,762**
Total segment revenue and other income	**35,245**	**64,066**

2. SEGMENT INFORMATION (CONTINUED)

For the year ended	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
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)	(4,569)
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*

As at	31 July 2019 $'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**

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

2. SEGMENT INFORMATION (CONTINUED)

Accounting policies
Segment information is prepared in conformity with the accounting policies of the Group.

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.

3. OPERATING PROFIT / (LOSS)

For the year ended	31 July 2019 $'000	31 July 2018 $'000
Profit / (Loss) from continuing operations before income tax 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

4. INCOME TAX

For the year ended	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
Current tax	(64)	139
Deferred tax	(7,223)	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 payable		
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-deductible expenses	502	144
Franked dividends	(127)	(102)
(Over) / under provision in prior year	903	(149)
Deferred tax assets 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	(606)	741

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

5. 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**

5. NON-CURRENT INVESTMENT PROPERTIES (CONTINUED)

Change 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 & Moonee Marketplace)	(a)	7.71%	7.25%	47,640	48,800
Other properties	(b)		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. Capitalisation rates used at 31 July 2019 were based on management prepared valuations.

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.

6. RETAINED PROFITS

As at	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
Retained profits at the beginning of the financial year	101,535	101,442
Net profit attributable to members of Gowing Bros. Limited	(19,403)	6,535
Transfer Realised Gain on equity sales, net of tax	818	-
Dividends provided for or paid	(5,908)	(6,442)
	77,042	**101,535**

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

7. CONTRIBUTED EQUITY AND ISSUED SECURITIES

	Number of shares 31 July 2019	Number of shares 31 July 2018	31 July 2019 $'000	31 July 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**

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.

7. CONTRIBUTED EQUITY AND ISSUED SECURITIES (CONTINUED)

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 has been 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).

8. DIVIDENDS

	Cents per share	Total amount $	Date of payment
The following dividends were declared and paid by the Group during the year ended 31 July 2019:			
Final fully franked dividend	6.0 cents	3,217,975	13 November 2018
Interim fully franked dividend	5.0 cents	2,689,559	30 April 2019
Dividends paid during the year were fully franked at the tax rate of 30%.			
Since the end of the year ended 31 July 2019, the directors declared the following dividend:			
Final fully franked dividend	5.0 cents	2,696,960	31 October 2019
The dividend declared since the year end will be fully franked at the tax rate of 30%.			

9. RESERVES

As at	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
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
Changes in financial assets held at fair value through other comprehensive income		
- Changes in fair value of equities	(852)	1,678
- Deferred tax applicable to fair value adjustments	256	(503)
- Transfer of gains on disposal of equity instruments at fair value through comprehensive income to retained earnings, net of tax	(818)	-
Closing balance	**8,308**	**9,722**

9. RESERVES (CONTINUED)

As at	31 July 2019 $'000	31 July 2018 $'000 (Restated)*
Asset revaluation reserve[3]		
Opening balance	1,591	1,037
Fair value adjustments on property, plant and equipment		
- Changes in fair value of 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 in the fair value of 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.

10. EARNINGS/ (LOSS) PER SHARE

For the year ended	31 July 2019	31 July 2018 (Restated)*
Basic earnings / (loss) per share (cents)	(36.07)	12.18c
Diluted earnings / (loss) per share (cents)	(36.07)	12.18c
Weighted average number of ordinary shares on issue (basic and diluted)	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*

11. NET TANGIBLE ASSET BACKING

As at	31 July 2019	31 July 2018
NTA per ordinary security before tax on unrealised gains	$3.75	$4.44
NTA per ordinary security after tax on unrealised gains	$3.46	$3.95

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

12. 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, 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**

13. 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
Pacific Coast Developments 357 Fund	Australia		99.9
1868 Capital Pty Ltd	Australia		100
Pacific Coast Developments 112 Fund	Australia		99.9
Gowings SHI Pty Ltd	Australia		99.9
SHI Holdings Pty Ltd*	Australia		99.9
Fin Control Systems Pty Ltd*	Australia		99.9
Surfing Hardware International Holdings Pty Ltd*	Australia		99.9
Surf Hardware International Asia Pty Ltd*	Australia		99.9
Surf Hardware International Europe SARL*	Australia		99.9
Surf Hardware International UK*	Australia		99.9
OZ4U Holdings Pty Ltd*	Australia		99.9
Sunbum Technologies Pty Ltd*	Australia		99.9
Surfing Hardware International USA Inc.*	United States of America		99.9
Surf Hardware International USA Inc.*	United States of America		99.9
Surf Hardware International Hawaii Inc.*	United States of America		99.9
Surf Hardware International Japan KK*	Japan		99.9
Surf Hardware International Pty Ltd*	France		99.9
Surf Hardware International Brazil Com. De Mat. Esportivos LTDA*	Brazil		99.9
Gowings Master Trust	Australia		100
1868 High Yield Trust	Australia		100
Gowings Life Sciences Trust	Australia		100
Gowing Bros Management Services Pty Ltd	Australia		100
Coastbeat Pty Ltd	Australia		100

* SHI Holdings Pty Limited and controlled entities acquired by Gowings SHI Pty Ltd.

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.

14. SUBSEQUENT EVENTS

The Group has announced a dividend since the end of the year which has been included in Note 8.

No other matters or circumstances have arisen 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 years.