



Enriching People's
Lives, since 1868

APPENDIX 4D | For the half-year ended 31 January 2021



G O W I N G B R O S

Investing together for a secure future

Gowing Bros. Limited

ABN 68 000 010 471

Suite 303, 35-61 Harbour Drive

Coffs Harbour, NSW, 2450

T: 61 2 9264 6321 F: 61 2 9264 6240

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the half-year ended 31 January 2021 with the previous corresponding period being the half-year ended 31 January 2020 unless otherwise stated. The results have been reviewed by the Company's auditors. The results of the half-year should be read in conjunction with the 2020 annual report for the Group.

| DIVIDENDS | | |
|--|--------|---------------|
| Interim fully franked dividend per share | Up 33% | 3.0 cents |
| Special fully franked dividend per share | | 1.0 cents |
| The record date for the interim dividend | | 9 April 2021 |
| The payment date of the interim dividend | | 23 April 2021 |

| REVENUE | | |
|--|-----------|-----------------|
| Total Revenue from Ordinary Activities | Down 1.4% | \$ 32.7 million |

| EARNINGS | | |
|---|---------|-----------------------------|
| Operational Profit before tax | Up 114% | \$5.2 million |
| Gain on Termination of Interest SWAP Derivative | | \$0.6 million |
| Other | | <u>\$0.1 million</u> |
| Profit before Tax | | \$5.9 million |
| Income Tax Expense | | <u>\$(0.8) million</u> |
| Profit after Tax attributable to members | Up 37% | <u>\$5.0 million</u> |

| NET TANGIBLE ASSETS PER SHARE | | |
|--|---------|--------|
| Net Tangible Assets per share before tax on unrealised gains | Up 3.3% | \$3.76 |

MANAGING DIRECTORS REPORT

CAUTIOUSLY OPTIMISTIC

This time last year we were entering into the greatest period of uncertainty Gowings has faced in most of our lifetimes. Who could have foreseen or predicted where we would find ourselves today?

At the time of writing, apart from wild weather and the biggest deluge on the Mid North Coast since 1961, we find ourselves operating in pretty much the best place in the world from a pre and post- pandemic perspective, and normally from a climate perspective.

Most of our retail partners are trading on par or better than their pre-pandemic levels. We have a reasonable pipeline of prospective retailers negotiating to move into our centres, and amazingly have introduced several new operators during the pandemic period.

At the times when I felt most down during the pandemic crisis my wife Miriam reminded me how lucky we were to have sold in Sydney and moved up the coast. During the period we relocated our head office from Pymont in Sydney to the 3rd level of the new Gowings building on the corner of Harbour Drive and Vernon Street in Coffs Harbour. The new finance team led by 5th generation family member James Gowing have settled in well and having most of the team located under one roof again has been very well accepted. The last domino in the move up to Coffs Harbour rolled over last week with the sale of Gowings' offices in Pymont, Sydney going unconditional.

At Sawtell Commons, our residential subdivision 10km south of Coffs Harbour, stage 2 is close to completion and nearly ready for land title registration and settlement. Works are progressing on stage 3, which depending on the weather should be ready for sale and settlement prior to calendar year end. In part to fund the next stage and pay out our fixed interest rate hedge we drew down a further \$10 million of our revolving facility with CBA during the period. The market for residential property in Coffs Harbour has been very strong and we are cautiously optimistic about the sales for the next stage as there is a lot of demand emanating from Sydney and Melbourne, as families wish to relocate to the regions out of metropolitan areas.

The Coffs Harbour Highway bypass plan was officially approved by the Department of Planning in December 2020. Introductory works have begun and Gowings will be a major beneficiary of this project, not least of all from the significant expected shortfall in rental properties in Coffs Harbour as bypass workers move to the area.

At Surf Hardware International (SHI), the surf has been running high. Sales and earnings have been a record for the first half. SHI has been a major beneficiary of the pandemic, particularly people holidaying at home, stimulus spending and the appreciating \$AUD. To reward patient shareholders the board has decided to declare a special 1c fully franked dividend from these windfall earnings.

GOWINGS CONTINUES TO EMBRACE SUSTAINABILITY

At Gowings we were one of the first retail companies to introduce recycled paper bags and organic cotton casual clothing. We also established The Gowings Whale Trust. I'm pleased to inform you that this environmentally sustainable commitment continues. We have appointed Byron Gowing as Chief Sustainability Officer and are adopting a number of initiatives with the goal of making Gowings carbon neutral over the course of the next few years.

At our shopping centres we are introducing waste streaming, actively recycling plastic and introducing imbedded electricity networks backed by commercial solar arrays with battery storage.

Surf Hardware International has adopted a policy of 1% of all sales going to projects that help protect the ocean environment and the beneficiary is the Gowings Whale Trust, a formally constituted environmental charity. SHI has also embraced a policy to phase out all unnecessary plastic packaging and replace it wherever possible with recycled cardboard.

FINANCIAL REVIEW

The Group is pleased to report a significant increase in operational profits of 114%, excluding one-off non-cash gains and losses. Overall the profit before tax of \$5.9 million is higher than the \$5.7 million gain recorded for the corresponding period in 2020. It is important to note that the prior period result included a number of realised gains on investment properties and development properties.

Financial highlights during the period include a significant recovery in the value of the equities portfolio of \$2.3 million after tax and a before tax income of \$2.1 million from Surf Hardware International, additionally the interest rate swap derivative was closed out with a \$0.6 million dollar gain.

The shopping centre portfolio delivered a strong result due to the unique position in regional NSW which has not been as impacted by the pandemic as major cities and other States due to outbreaks, extended lockdowns, and border closures. The total operational net income has recovered to substantially pre-pandemic levels at \$3.7 million before tax. The carrying value of the shopping centres in the portfolio remained consistent with the valuations as at 31 July 2020.

During the period Gowings has divested from certain companies in the strategic investment portfolio. These disposals coupled with widespread reductions in dividends from listed companies have contributed to the 23% reduction on dividends received in the corresponding period. Murray Darling Food Company contributed a \$0.1 million dividend.

The managed Private Equity portfolio performed well during the period with Five V Capital generating realised returns of \$0.3 million. Valuations in this category have remained consistent with 31 July 2020.

The Group has relocated Head-Office functionality to Coffs Harbour to streamline commercial operations. The freehold property in Pymont is under a contract for sale with settlement due in April 2021.

DIVIDENDS

The Group has generated strong operational cash-flows and will be declaring an interim 3c fully franked dividend, and a 1c special dividend from Surf Hardware International's strong performance.

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

OUTLOOK

There is still a great deal of uncertainty in the world and my biggest concern now is how we navigate our way out of the pandemic with the successful roll out of the vaccine programme both in Australia and overseas. It would be great to avoid future lockdowns due to quarantine failures. We continue to manage the company cautiously as is prudent and I feel that Gowings will be the net long-term beneficiary of some of the underlying trends that have emerged during the pandemic. However the greatest lesson we have learnt is to expect and plan for the unexpected.

I would like to thank all our team members and the wider Gowings community for their support during this period.

PROFIT AND LOSS STATEMENT

| For the half-year ended | 31 Jan 2021 \$'000 | 31 Jan 2020 \$'000 |
|--|-----------------------|-----------------------|
| Operational Net Income | | |
| Interest income | 104 | 113 |
| Investment properties | 3,672 | 3,803 |
| Development properties | - | 736 |
| Equities | 284 | 367 |
| Managed private equities | 333 | 563 |
| Surf Hardware International | 2,142 | (927) |
| Total Net Income from Ordinary Activities | 6,535 | 4,655 |
| Expenses | | |
| Administration, public company and other | (1,301) | (2,204) |
| Operational Profit | 5,234 | 2,451 |
| Gains on sale or revaluation | | |
| Investment properties - unrealised gains | - | 8 |
| Investment properties – realised gains | - | 2,134 |
| Managed private equities | - | 1,217 |
| Derivatives | 587 | 35 |
| Other | | |
| Other income | 105 | (10) |
| Other costs | (68) | (124) |
| Profit Before Tax | 5,858 | 5,711 |
| Income tax expense | (842) | (2,054) |
| Profit After Tax | 5,016 | 3,657 |

| KEY METRICS | 31 Jan. 2021 (6 months) | 31 July 2020 (12 months) | 31 July 2019 (12 months) | 31 July 2018 (12 months) | 31 July 2017 (12 months) |
|-----------------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Net Assets | \$189.3m | \$184.1m | \$191.1m | \$216.0m | \$214.0m |
| Net Assets per Share | | | | | |
| - Before Tax on unrealised gains* | \$3.76 | \$3.64 | \$3.83 | \$4.52 | \$4.43 |
| Profit (loss) After Tax | \$5.0m | \$4.7m | (\$19.4)m | \$6.5m | \$23.2m |
| Total Comprehensive Income (loss) | \$7.0m | (\$1.3m) | (\$19.7)m | \$8.6m | \$21.9m |
| Earnings per Share | 9.34c | 8.82c | (36.07)c | 12.18c | 43.3c |
| Dividends per Share | 4.0c | 10.0c | 11.0c | 12.0c | 12.0c |
| Total Shareholder Return | 4.4% | (2.3%) | (12.8)% | 4.7% | 13.2% |

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

GOWINGS AT A GLANCE (At Directors' Valuation)

| | 31 Jan 2021 \$'000 | 31 Jul 2020 \$'000 |
|--|-----------------------|-----------------------|
| Strategic Investments | | |
| Surf Hardware International (at cost) | 16,000 | 16,000 |
| Boundary Bend Limited | 12,216 | 12,216 |
| Carlton Investments | 5,671 | 4,650 |
| BBBSA Finance | 2,400 | 2,400 |
| Dice Molecules | 2,304 | 2,304 |
| Murray Darling Food Company | 2,157 | 2,157 |
| NSX Limited | 1,900 | 900 |
| Hexima | 1,268 | 949 |
| Hydration Pharmaceuticals | 1,331 | 1,331 |
| Power Pollen Accelerated Ag Technologies | 885 | 885 |
| Phalla Pharma Limited | 724 | 948 |
| SYMBYX | 600 | - |
| EFTsure | 681 | 602 |
| Blackfynn | 403 | 403 |
| Tasmanian Oyster Company | 400 | - |
| Other Listed Investments | 5,423 | 5,221 |
| Total | 54,363 | 50,966 |
| Private Equity Funds | | |
| Five V Capital | 1,981 | 1,620 |
| OurCrowd Australia | 1,248 | 1,248 |
| Our Innovation Fund | 1,788 | 1,788 |
| Other Private Equity Funds | 48 | 95 |
| Total | 5,065 | 4,751 |
| Pacific Coast Shopping Centre Portfolio | | |
| Sub-regional shopping centres | 178,979 | 178,277 |
| Neighbourhood shopping centres | 19,969 | 19,854 |
| Borrowings | (90,175) | (80,175) |
| Total | 108,773 | 117,956 |
| Other Direct Properties | | |
| Sawtell Commons - Residential Subdivision | 11,445 | 10,578 |
| Harbour Drive Solitary 30 Site | 3,856 | 3,734 |
| Jones Bay Wharves | 7,062 | 7,062 |
| Other Properties | 6,174 | 6,188 |
| Borrowings | (1,225) | (1,350) |
| Total | 27,312 | 26,212 |
| Cash and Other | | |
| Cash | 21,298 | 15,329 |
| Current & Deferred Tax Liabilities | (12,886) | (12,017) |
| Surf Hardware International Consolidation Impact | (715) | (609) |
| Other Assets & Liabilities | (1,541) | (7,057) |
| Total | 6,156 | (4,354) |
| Net Assets before tax on unrealised gains on equities, investment and freehold properties | 201,669 | 195,531 |
| Provision for tax on unrealised gains on equities, investment and freehold properties | (12,401) | (11,456) |
| Net Assets after tax on unrealised gains on equities, investment and freehold properties | 189,268 | 184,075 |

PACIFIC COAST SHOPPING CENTRE PORTFOLIO



Coffs Central

In a historic milestone for the company, Gowings Bros relocated its head office from Pymont into the new commercial tower of Coffs Central during the period and held its 2020 AGM on site in November 2020. The tower is now formally known as the Gowings Building.

During the period the leasing team was on the front foot with positive momentum generating strong leasing enquiries and results. We were able to secure a number of high-quality new retailers which commenced trading during the period including:

- | | | |
|--------------------------------|----------------------|--------------------------|
| <i>National Australia Bank</i> | <i>Optus</i> | <i>Brennans Butchery</i> |
| <i>Abbey Hair</i> | <i>Blue Illusion</i> | <i>Central Massage</i> |

During the period all rent moratorium agreements due to the pandemic across the shopping centre portfolio were finalised and executed. The leasing pipeline is relatively strong with four new lease deals currently being negotiated with key terms agreed subject to lease documentation. Two lease renewals were executed during the period and six lease renewals are currently in progress. We are also targeting a number of strategic operators to ensure we build upon our vibrant and experiential retail offer.

On the development side we continue to explore further development opportunities at Coffs Central including the DA approved hotel, rooftop apartments and office tower expansion.

Port Central

Following the leasing re-mix strategy in prior periods the leasing focus during the period was finalising the pandemic lease moratorium agreements with all retailers and securing key lease renewals.

Despite the ongoing pandemic concerns we successfully renewed seven retailers and are currently in renewal discussions with three existing operators including a strategic relocation. We also generated new lease deal opportunities and secured two new retailers which opened during the period and we have recently executed lease documentation with a new high-quality operator in a prominent centre position.

We are currently working with consultants on concept plans, feasibility and developing a leasing strategy for a capital upgrade & reconfiguration to the upstairs food court into an exciting mixed vibrant retail and dining offer. We are also continuing to work with local planning authorities and evaluate the redevelopment options associated with centre rooftop apartments as well as the many potential development options available to amalgamate the centre with our adjoining site at 99 William Street which is ongoing.

Kempsey Central

By working closely with Kempsey Shire Council and other key stakeholders we were able to secure a major new strategic lease deal during the period. In December 2020 it was announced that Country Universities Centre Macleay Valley will open in Kempsey Central to provide free access to state-of-the-art technology to local university students. This new educational facility will complement the centres existing retail mix and is expected to further strengthen centre foot-traffic when it opens in March 2021. The reconfiguration of this tenancy has also allowed us to design an exciting new food and dining offer which we are currently finalising the feasibility and leasing programme for.

Whilst the pandemic has had a particularly negative impact to the cinema sector we are pleased to report that through a very strong partnership between Gowings and a high-quality operator that the Majestic Cinema complex at the centre continues to experience improved trading conditions and all parties are confident that a sound plan is in place to manage the ongoing risk profile. During the period we implemented a substantial new rooftop solar capital works program which will benefit some of our larger strategic retailers.

OTHER PROPERTIES UNDER DEVELOPMENT

Sawtell Commons - Strong enquiries continue to be received over the half-year. Seven out of the eight available blocks in Stage 2 have exchanged or are under contract, at an average price of \$330,000. The expected completion date for these sales is early May.

The stage 3 release of 56 lots has seen strong pre-sales interest with 11 holding deposits received at an average of \$325,000 per lot. Registration for stage 3 is expected around the end of October 2021. At the time of reporting the stage 2 footpaths, electrical, water and sewer works were almost finished and earthworks to create the footprint for stage 3 roads and to level these lots will commence as soon as weather allows.



Solitary 30 - The Jetty development site located at 357 Harbour Drive paves the way for an exciting new mixed-use development for Gowings. The site has now been demolished and some of the historic and original timber elements of the Forestry Building have been re-purposed at the new Gowings Head Office located on level 3 of the Gowings Building on Harbour Drive in Coffs Harbour.

DFJ Architects have presented several concepts for the site and are continuing to refine their final designs. We are in consultation with Coffs Harbour City Council regarding the potential transfer of ownership of the parcel of land adjoining the road and expect a decision shortly. This decision will impact the final design submitted for DA, expected later in 2021.

STRATEGIC INVESTMENTS

The strategic investment portfolio grew to \$54.4 million due to the market recovery. There were some divestments from listed equity positions and new investments during the period as follows:

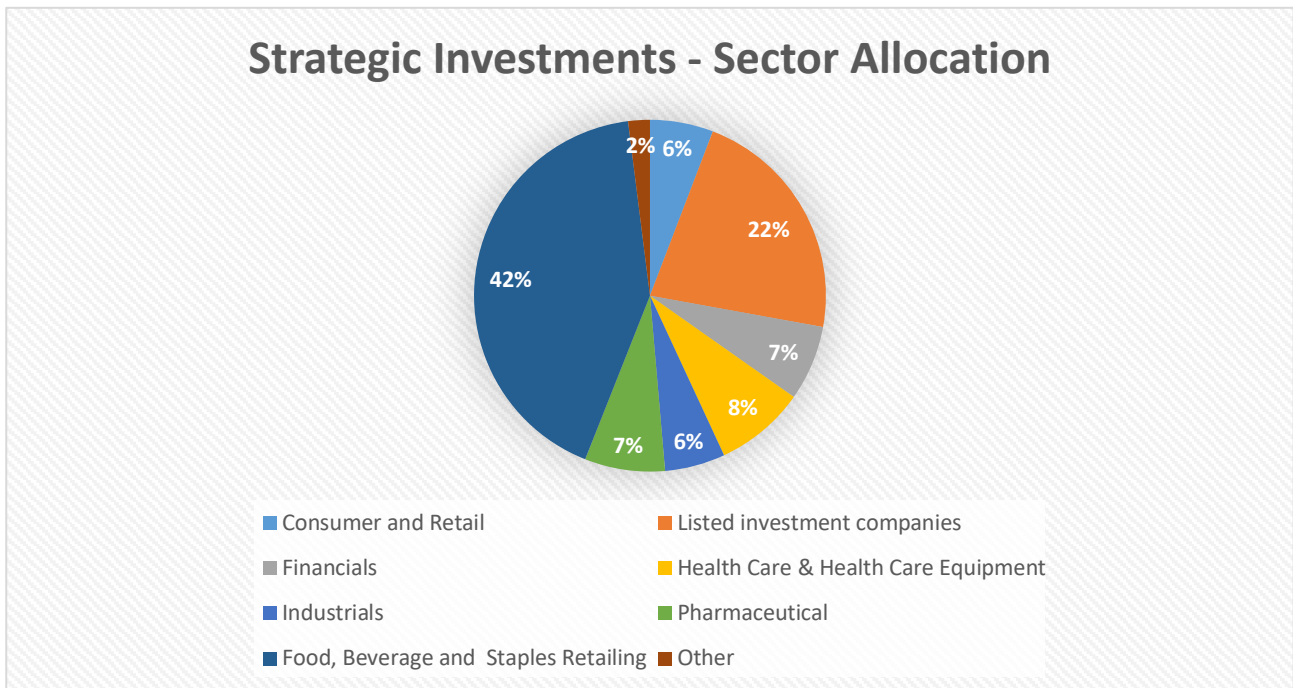
Equity divestments:

- ANZ
- CBA
- Djerriwarrah Investments
- Event Hospitality
- NAB

New purchases:

- Pearl Global
- SYMBYX Biome
- Tasmanian Oyster Company
- Treasury Wine Estates
- Youfoodz

The bulk of the new additions were purchased in November and are unlisted which have not changed in value as at the date of this report. Due to dividend policy generally being subdued, this has led to a reduction in overall dividends received by 23%.



SYMBYX Biome (Valuation \$0.6 million; Cost \$0.6 million)

SYMBYX is an early stage Australian medtech company developing laser light therapies for previously intractable, chronic diseases. There is already significant scientific evidence demonstrating a cause-and-effect relationship between a perturbed (dysbiotic) microbiome and the development of neurodegenerative conditions such as Parkinson's Disease and Autism Spectrum Disorder.

Photobiomodulation (the modulation of target cell function through mitochondrial stimulation using infrared, non-thermal laser light) with SYMBYX lasers has a sustainable, positive effect on Parkinson disease pathology including reduction in motor deficit, improved cognition, returned sense of smell and increased general wellbeing. SYMBYX has already completed successful stage-2 equivalent clinical trials in Australia and is planning a further large-scale RCT this year to support its therapies. Its devices are already ARTG listed and CE marked. SYMBYX has also discovered that it can improve microbiome composition (in overall microbial diversity and proliferation of good bacteria) in both animal and human models. This opens up a range of new therapeutic opportunities for metabolic conditions including Irritable Bowel Disease.

Gowings other healthcare/biotech holdings in DiCE, Hexima and Blackfynn are progressing as expected and we continue to believe in their long-term investment thematic.

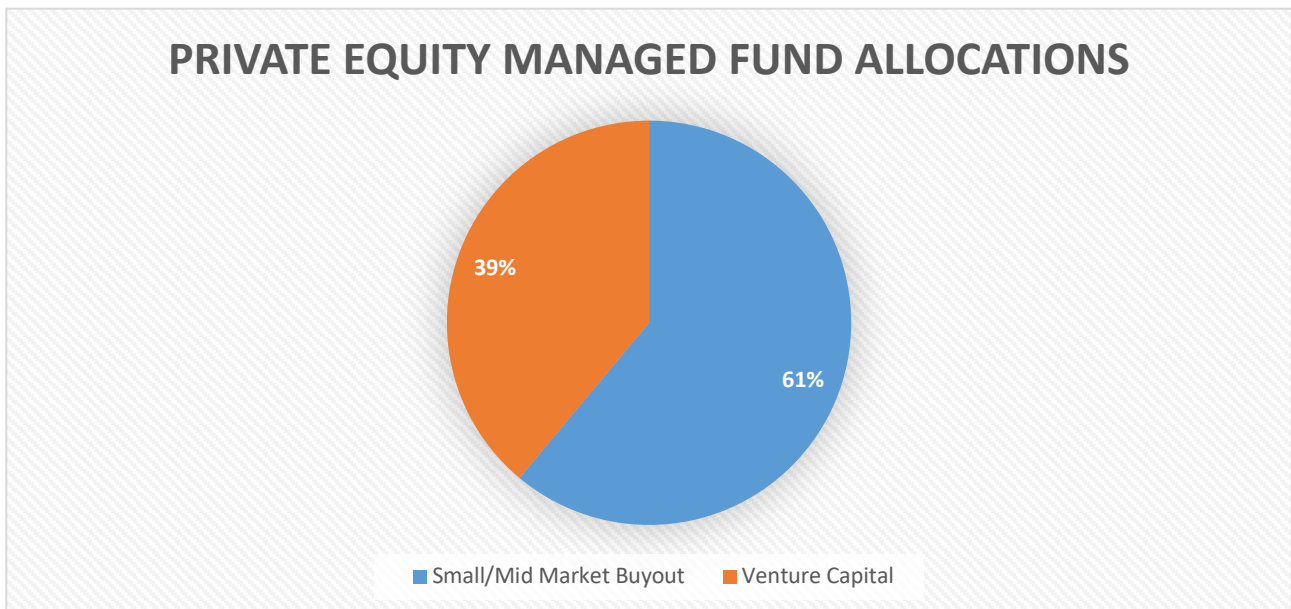
PRIVATE EQUITY MANAGED FUNDS

Gowings have invested in a number of funds which have a focus on innovation, investing in new and emerging disruptive businesses that are likely to provide high growth in the long term.

During the period Gowing's private equity managed funds performed well providing \$0.3 million in income distributions from Five V. Overall valuations have remained consistent with 31 July 2020.

Five V Capital partially divested an investment in Universal Store upon successful IPO, a retail company with an online offering. This divestment delivered 2.4 times return on the investment.

At 31 January 2021 the overall value of the investment in private equity managed funds was \$5.1 million which is allocated into the following categories:



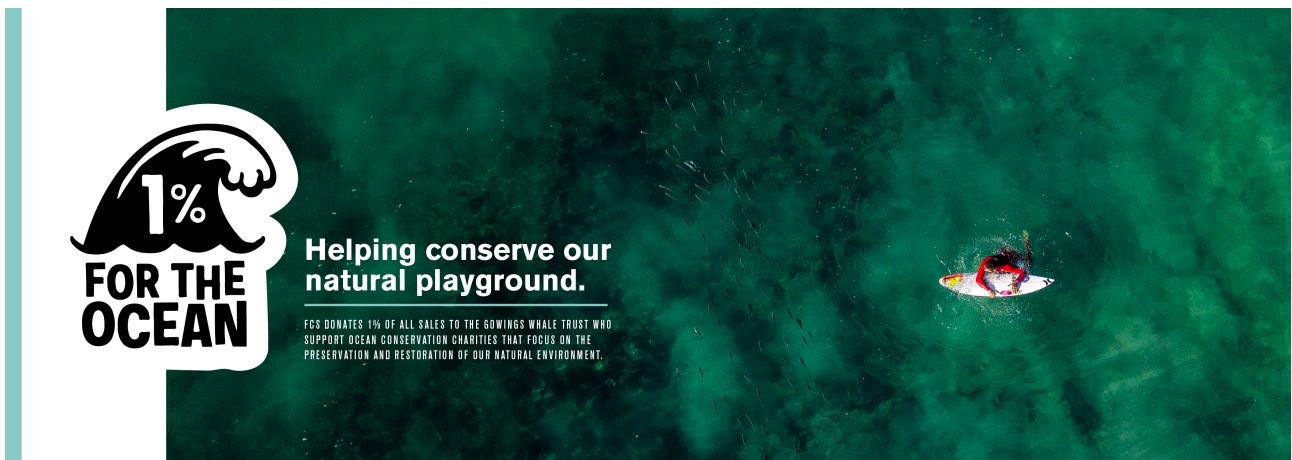
SURF HARDWARE INTERNATIONAL



Surf Hardware International (SHI) performed well during the first half generating sales of \$23 million, an 17% increase on the prior corresponding period.

While the impacts of the pandemic have been detrimental for many businesses, SHI has benefited from increasing rates of surfing participation and a demand for surf accessories & hardgoods.

A key focus on driving DTC online sales contributed to an improvement in gross margins and together with the strong sales result recorded and a prudent approach to expense management, the business generated Net Income of \$2.1 million (an improvement of \$3.1 million vs the prior corresponding period).



During the period, the business implemented a new initiative contributing 1% of total sales to the Gowings Whale Trust in order to support ocean conservation and the preservation and restoration of our natural environment.

A key focus for the upcoming period will be launching a new range of eco-blend products featuring recycled packaging & continuing to reduce the use of plastic across the business.

Despite some supply chain challenges, the launch of new summer product ranges and marketing initiatives in the northern hemisphere markets (USA, Europe and Japan) from March 2021 should continue to provide a platform for ongoing sales growth through the rest of the financial year.

DIRECTORS' REPORT

DIRECTORS

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

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

REVIEW OF OPERATIONS

Refer to Results for Announcement to the Market.

ROUNDING OFF

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration given to the Directors by the lead auditor for the review undertaken by HLB Mann Judd is included in page 29.

Dated this 25th day of March 2021 in accordance with a resolution of the directors.



J. E. Gowing
Managing Director