



Enriching People's
Lives, since 1868

APPENDIX 4E | For the year ended 31 July 2020



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 2020 with the previous corresponding period being the year ended 31 July 2019. This report is based on financial statements which are in the process of being audited.

		31 Jul 2020	31 Jul 2019
REVENUE			
Total Revenue ⁽¹⁾	Down 4%	\$61.8 million	\$64.4 million
Other income ⁽²⁾	Up 110%	\$3.0 million	\$(29.2) million
EARNINGS			
Profit after tax ⁽³⁾	Up 124%	\$4.7 million	\$(19.4) million
Earnings per share	Up 124%	8.82 c	(36.07) c
NET ASSETS PER SHARE			
Before provision for tax on unrealised gains ⁽⁴⁾	Down 5%	\$3.64	\$3.83
DIVIDENDS			
2020 Final fully franked dividend per share ⁽⁵⁾		3 cents	
2020 Interim fully franked dividend per share		5 cents	

COMMENTS

- (1) Total Revenue was down 4% on the prior year, mainly due to the decrease in revenue from investment properties due to rental abatements offered to support specialty tenants to combat the impacts of COVID-19. However, this was offset by the first eight lots sold during stage 1 release at Sawtell Commons.
- (2) Other income of \$3.0 million was largely attributable to profit on sale of the Moonee Market Shopping Centre.
- (3) Profit After Tax increased to a profit of \$4.7 million. The underlying operational profit before tax for the year was \$3.3 million. For more detail refer the profit and loss on page 7 of the report.
- (4) Net assets per share before tax on unrealised gains on equities, investment properties, and freehold properties decreased to \$3.64 from \$3.83 during the year ended 31 July 2020. This included the payment of 10.0c in dividends.
- (5) The board has elected to declare a final 3 cents per share fully franked LIC dividend. The record date for the final dividend is 14 October 2020, with a payment date of 29 October 2020. 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.

MANAGING DIRECTORS REVIEW OF OPERATIONS

When I think back to the start of this year what a different world and expected outlook it was. Now as I write this five months since the last shareholder update in April we have experienced such a sea of change and degree of uncertainty caused by a pandemic, truly unprecedented in the modern era.

At Gowings we have navigated this calamity to the best of our ability, always putting the safety of our customers and team members to the forefront. We were first movers in deploying hand sanitisers and safe distancing practices in our shopping centres and facilitated work from home practices to keep team members safe.

All members of the team including senior management and the board of directors have taken a temporary cut in remuneration.

To underpin the viability of our retail partners, with the support of our bank, CBA, we provided a blanket 3-month rental abatement for our smaller retailers for the months of April, May and June.

Now five months into the pandemic, how have we travelled and what does the future hold?

Most of our retailers have paid rent for July, August and September. In fact, we have received approx. 80% of the scheduled rent for this period. Most of the unpaid rent pertains to listed fashion groups who are trying to use the crisis to renegotiate their legal commitments. August reported sales and foot traffic figures were at an all-time record for that month!

The pandemic has caused havoc for most retail businesses in Australia, as we went through lockdown, came out of lockdown and then faced the threat of a second lockdown, with the outbreak in Victoria. Ironically our shopping centres based on the Mid North Coast of NSW have fared fairly well due to their isolated position approx. halfway between Sydney and Brisbane.

We have also been the beneficiary of the increased working from home trend, which we believe will see many Australians choose to leave the big cities and relocate to well serviced regional centres like Port Macquarie, Kempsey and Coffs Harbour.

COVID 19 Impacts and Response

During the COVID-19 outbreak, Gowings has taken a proactive approach to ensuring the health and wellbeing of all those who visit our retail venues and work within them. We were the first shopping centre owner in the mid north coast NSW region to implement hand sanitisers and hygiene signage at our venues. We have maintained vigilance throughout this period with our hygiene, social distancing practices and signage in compliance with regulations and regularly updated our customers, retailers and staff regarding the measures in place.

We supported all our specialty retailers by offering them a three month rent moratorium from April to June to ensure continued trade wherever possible. This severely impacted our performance during that time and is a major reason for the decline in the net income derived from Investment Properties when compared to the prior year.

We also worked closely with our fresh food and dining retailers on initiatives, including an e-commerce platform, to maximise their takeaway and delivery offer during the period that food courts were closed for eat in dining.

MANAGING DIRECTORS REVIEW OF OPERATIONS (CONTINUED)

Some of the safety measures in place:

- Hand Sanitizers installed throughout the centres
- Increased cleaning routines implemented
- Signage at all entry points and throughout the centres
- Weekly toolbox meetings with cleaners and security guards
- Daily COVID-19 safety check at all centres
- As an additional security measure, face masks are mandatory for staff, cleaners and security teams
- Retailers are sent updated protocols as they come through and on a monthly ongoing basis
- Retailers assisted in developing in-store COVID-19 safety plans
- Social distancing floor stickers throughout centres
- Independent contractor review of adopted protocols
- UV sanitisation of reticulated air implemented at Majestic Cinema in Kempsey Central
- Food Courts have been reconfigured to maintain social distancing

Our international surf business Surf Hardware International has been, to our greatest surprise, a significant beneficiary of the pandemic. Australian surfers and surfers all around the world had more time during lockdown and were focused on improved personal fitness. They dusted off their surfboards and stocked up on new surfing equipment. The last four months sales and profits have been the best on record.

At Sawtell Commons, our residential subdivision, we have completed stage 1, almost completed stage 2A and the major creek crossing work is complete. Sawtell Commons is located 10km south of Coffs Harbour CBD and is the only ready to go subdivision in Coffs Harbour at the moment. Sales enquiries for stage 2 have been solid. All of stage 1 has been settled and our display village is nearing completion. Sawtell Commons will also be the beneficiary of the regional relocation trend I mentioned earlier. It should also benefit from the significant major Regional State infrastructure projects in the area, including the Coffs Harbour Highway Bypass.

Earlier this year, motivated by the pandemic, we decided to permanently relocate Gowings head office from Pyrmont Sydney to the new Gowings Building on the eastern end of Coffs Central. This move will free up some capital from the sale of the Pyrmont offices to be applied against debt or redeployed to other investments. The move will also ensure there are more boots on the ground at our major place of business. I anticipate that the move will generate savings and efficiencies of approx. \$800K per annum.

Outlook

Looking to the future, I hope we have seen the worst of the financial and health crisis brought on by this pandemic. However, as the past five months has shown we cannot anticipate the future particularly in this period of unprecedented uncertainty. We need to continue to work together as a company and a community to navigate our way through the crisis with the hope of emerging stronger as a group on the other side.

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



J. E. Gowing
Director

MANAGING DIRECTORS REVIEW OF OPERATIONS

On behalf of the Board of Directors, I am pleased to comment on the results for the year ended 31 July 2020.

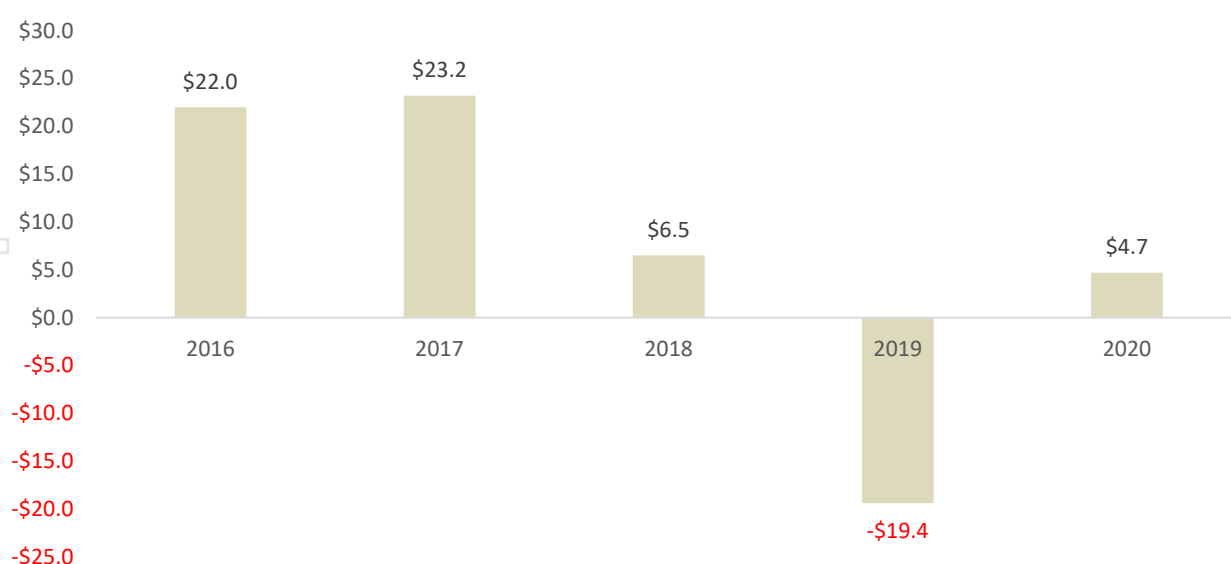
Financial Review

Net Assets per Share

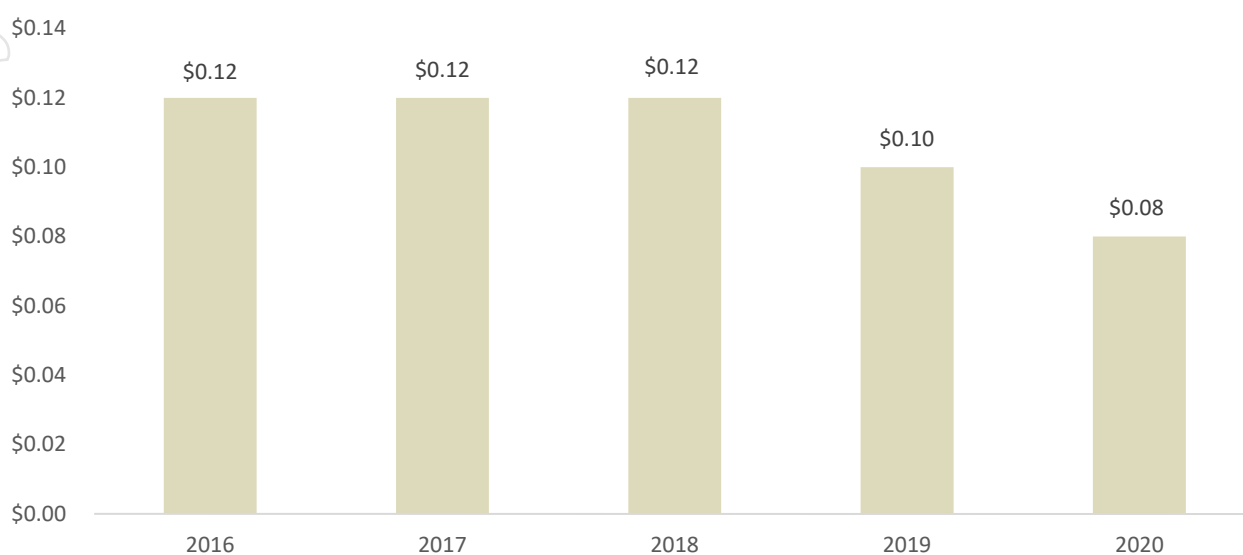


Net assets per share before tax on unrealised gains on equity, investment property, and freehold property decreased (5.0%) to \$3.64 as at 31 July 2020, mainly due to the change in market value of the strategic equity investment portfolio. Total shareholder return was (2.3%) including the decrease in net assets per share and the 10.0c paid to Shareholders during the year.

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



Net Profit/(Loss) After Tax for the year ended 31 July 2020 includes underlying income from ordinary activities such as rent, interest, dividends and revaluations of the investment portfolio. This year's profit/(loss) includes the sale of Moonee Market shopping centre and the profit generated from the sale of stage 1 of Sawtell Commons lessened by the negative COVID-19 impact on Investment property income.

MANAGING DIRECTORS REVIEW OF OPERATIONS**Dividends Declared per Share**

The Company declared a total dividend of 8.0c in fully franked dividends for the 2020 year. The directors have suspended the dividend reinvestment plan for the final dividend declared to be paid on 29 October 2020.

The Company has maintained a prudent approach to dividends given the capital requirements of the company having various development and investments opportunities currently either underway or under consideration.

KEY METRICS

	31 July 2020	31 July 2019	31 July 2018	31 July 2017	31 July 2016
Net Assets ⁽¹⁾	\$195.5m	\$206.8m	\$242.7m	\$237.9m	\$215.9m
Net Assets per Share ⁽²⁾	\$3.64	\$3.83	\$4.52	\$4.43	\$4.02
Net profit after tax	\$4.7m	(\$19.4)m	\$6.5m	\$23.2m	\$22.0m
Earnings per Share ⁽²⁾	8.82c	(36.07)c	12.18c	43.29c	40.9c
Dividends per Share ⁽²⁾	10.0c	11.0c	12.0c	12.0c	12.0c
Total Shareholder Return	(2.3%)	(12.8%)	4.7%	13.2%	9.8%

(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.

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.

MANAGING DIRECTORS REVIEW OF OPERATIONS

PROFIT AND LOSS STATEMENT

For the year ended	31 Jul 2020 \$'000	31 Jul 2019 \$'000
Net Income from Ordinary Activities		
Interest Income	211	256
Investment Properties	4,413	7,372
Development Properties	736	-
Equities – Dividend Income	679	726
Managed Private Equities	131	82
Surf Hardware International	1,272	804
Total Net Income from Ordinary Activities	7,442	9,240
Head Office Expenses		
Administration, public company and other	3,664	4,280
Borrowing Costs	495	470
Operational Profit	3,283	4,490
Gain/(loss) on sale or revaluation		
Investment properties – unrealised	(959)	(28,454)
Investment properties – realised	2,115	410
Managed private equity – unrealised	990	1,228
Derivatives (Fixed Interest Rate Hedge) - unrealised	(290)	(3,319)
Other		
Consulting Costs	(128)	(154)
Other Costs	-	(12)
Other Income	33	24
Profit / (loss) before tax	5,044	(25,787)
Income tax (expense) / benefit	(297)	6,384
Profit / (Loss) after tax	4,747	(19,403)

Net Investment Property income of \$4.4 million was 40% lower than the previous year due to the impact of COVID-19 on the Pacific Coast Shopping Centre portfolio as the Company offered speciality tenants 100% rental abatements for the months of April, May and June to secure the viability of tenants during this period in order to protect the long term value of the portfolio.

Net Development Property income of \$0.7 million represents the income derived during the year from the sale and settlement of the first 8 lots in the Sawtell Commons Residential sub-division development.

Surf Hardware International net income of \$1.3 million represented 58% increase over the prior period and mainly relates to prudent expense management and also positive impact to surfing participation rates due to changes in working habits as a result of COVID-19.

Overall Total Net Income from Ordinary Activities of \$7.4 million was lower 19.5% lower than the previous year. To combat this reduction in net income, head office expense were lowered by 14.4% to \$3.3 million. This was mainly through a reduction in staff costs via mitigation strategies that were employed to combat COVID-19.

The unrealised loss on investment properties was \$1.0 million compared to the prior year of \$29.5 million. For more detail on Investment properties please refer to page 15.

The realised gain on investment properties of \$2.1 million mainly relates to the booked profit on sale of Moonee Market shopping centre that settled on 25 November 2019. The centre was originally purchased in April 2010 and the sale price of \$30.5 million represents a capital gain of \$14.8 million over the life of the investment.

It was also pleasing to note that the movement in the valuation of the fixed interest hedge for the year was only \$0.3 million compared to the previous year movement of \$3.3 million.

Overall, the profit after tax was \$4.7 million compared to the previous year which was a loss of \$19.4 million.

MANAGING DIRECTORS REVIEW OF OPERATIONS

GOWINGS AT A GLANCE (At Directors Valuation)

	31 July 2020 \$'000	31 July 2019 \$'000
Strategic Investments		
Surf Hardware International (at cost)	16,000	16,000
Boundary Bend Limited	12,216	14,834
Carlton Investments	4,650	6,579
DiCE Molecules	2,304	2,411
BBBSA Finance	2,400	2,400
Murray Darling Food Company	2,157	2,157
NSX Limited	900	2,100
Event Hospitality Group	892	1,494
Phalla Pharma Limited / TPI Enterprises Limited	948	1,406
Hydration Pharmaceuticals	1,331	1,393
Hexima	949	949
Blackfynn	403	403
EFTsure	602	358
Power Pollen Accelerated Ag Technologies	885	260
Other listed investments	4,029	5,679
Total	50,666	58,423
Private Equity Funds		
Five V Capital	1,620	1,743
OurCrowd Australia	1,248	1,375
Our Innovation Fund	1,788	1,303
Other Private Equity Funds	95	486
Total	4,751	4,907
Pacific Coast Shopping Centre Portfolio		
Sub-regional shopping centres	178,277	177,991
Neighbourhood shopping centres	19,854	47,640
Borrowings	(80,175)	(89,745)
Total	117,956	135,886
Other Direct Properties		
Sawtell Commons - residential subdivision	10,578	11,500
Solitary 30 - Coffs Harbour development land	3,734	3,317
Other properties	13,250	15,249
Borrowings	(1,350)	(1,425)
Total	26,212	28,641
Cash and Other		
Cash	15,329	9,754
Tax liabilities	(12,017)	(9,859)
Surf Hardware International consolidation impact ¹	(609)	415
Fair value impact of Sawtell Commons – residential subdivision ²	-	(380)
Other assets & liabilities	(6,757)	(20,991)
Total	(4,054)	(21,061)
Net assets before tax on unrealised gains on equities and investment properties	195,531	206,796
Provision for tax on unrealised gains on equities, investment and direct properties	(11,456)	(15,672)
Net assets after tax on unrealised gains on equities and investment properties	184,075	191,124

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.

MANAGING DIRECTORS REVIEW OF OPERATIONS

INVESTMENT PORTFOLIO

Strategic Investments

Surf Hardware International (\$16 million)

During the year Surf Hardware International (SHI), like most businesses, was impacted by COVID -19. Each region globally was affected by lockdown measures and other restrictions imposed by local government authorities which had an immediate effect on our revenue during the early stages of the pandemic.

While we experienced challenging conditions in our wholesale business due to store closures and other restrictions, our online business performed strongly and increased as a share of our overall revenue during the year.

As restrictions started to ease and stores re-opened, we saw a strong rebound in wholesale sales while our online sales remained strong.

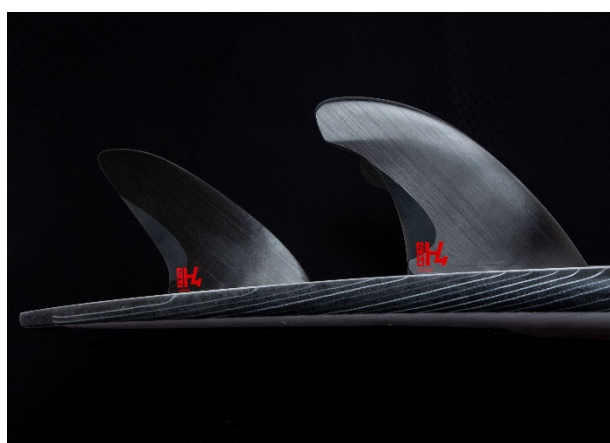
Increasing rates of surfing participation, a change in working conditions leading to an increase in leisure time along with fiscal support from government authorities which stimulated discretionary expenditure on surfing accessories enabled us to recover from the initial impacts of the pandemic and record a net revenue result slightly up on last year of \$42.7 million.

A prudent approach to expense management along with stronger margins from our growing online business enabled us to increase our net income over the period to \$1.3 million.

In addition to the positive trajectory of our online sales growth, an additional highlight during the period was the successful launch of a key product innovation, the FCS H4 fin. A key element of our product strategy is the development of innovative products that provide the business with a competitive advantage and higher margins from premium product.

Looking ahead, we will expand our product offer in order to appeal to a broader audience and commence local production of key product categories in order to secure our supply chain.

In the upcoming financial year SHI will focus on continuing to drive growth in the online business in order to capitalise on a rapid change in consumer buying patterns. SHI will extend its product offer online in order to appeal to a broader audience and look to optimise our ecommerce platforms. Developing new and recurring sources of revenue in the form of loyalty programs and subscription businesses will also be a focus. Driving a higher share of revenue from direct to consumer sales should lead to an enhanced valuation of the business.



Boundary Bend (\$12.2 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 northwest 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.

Due to the "biennial bearing" nature of olive groves, the previous year was an off year with lower oil production. The crop produced 6.2 million litres of olive oil this year and 13.1 million litres last year (an 'on-year') and the year before 5.4 million litres (an 'off-year'). This reflects the maturity of recently planted crops becoming producing. Boundary Bend is required to account for their crop in the year of harvest (not when it is sold), which means that the low crop will translate into a material loss for the 2020 financial year, but will likely have a strong reversion for next years 'on-year'.

Boundary Bend suffered through last financial year and early in this financial year due to the high prices of water. The inflows of water into the Murray River over the last few months have been strong and consequently the price of water has softened favouring a reduction in Boundary Bend's operating costs.

Additionally, Boundary Bend reported strong Australian olive oil sales throughout the COVID-19 pandemic with results at least 20% higher across their range. USA olive oil sales have been performing well with gross sales at USD\$15.4m vs. US\$4.4m last year, this has led to a significant turnaround in the financial performance of the business and they are forecasting a positive EBITDA for this unit in FY 2021.

Carlton Investments (\$4.7 million) and Event Hospitality Group (\$0.9 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 (34%) followed by substantial positions in the big 4 Australian Banks (17%) and further positions in BHP, AGL, and Wesfarmers. During the period Carlton made significant acquisitions in Santos, Rio Tinto, Fortescue Metals Group, Link Administration, BHP 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 has suffered poorly due to COVID-19 restrictions with full year revenue down 22.3% and a net loss after tax of \$11.4m. Prior to COVID-19 Event recorded revenue up 2.5% and normalised profit up 2.2%. The group has been able to achieve \$140m in cost reductions during the period and Jane Hastings (CEO) believes business will rebound relatively quickly once restrictions are lifted due to pent-up demand. Event has increased their debt facilities to \$750m, the majority of which matures in 2023, they have a strong balance sheet, underpinned by a solid property portfolio.

Hydration Pharmaceuticals (\$1.3 million)

Hydralyte markets great tasting clinical hydration products that are 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.

Hydralyte continues to secure good sales results in the Canadian market but poor results in the USA. They have been experimenting with a number of different marketing and product placement strategies and have now moved Hydralyte into the baby section at pharmacies, placing them alongside Pedialyte in the hope to accelerate sales. Amazon sales have been growing rapidly, albeit from a low base, where powders have proved more successful online due to shipping constraints. Hydralyte continues to be a mediocre performer in Gowing's portfolio, however, with improving marketing strategies we hope they can crack the USA market and, through operational efficiencies, draw a positive earnings figure.

Murray Darling Food Company (\$2.2 million)

During the year Murray Darling Food Company (MDFC) sold both the Packwood and Bombah properties and consolidated activities to the main property Burrawang West Property (Burrawang) in order to combat the difficult conditions farmers in central NSW continue to face. The proceeds from the sales were used to reduce debt within the group.

Burrawang was revalued during the year which saw the property value rise of \$2.35 million to an overall carrying value of \$12.5 million. This uplift was attributable to the 14 year prospective cashflow from the NSW Biodiversity Conservation Trust.

Operationally MDFC had a strong year with overall revenue for the group at \$3.77 million which was 26% increase on the prior year. The overall group profit for the year was \$0.6 million compared to a loss of \$2.28 million in the prior year.

As conditions improve in various parts of the country the demand for Dorper stud rams and ewes is increasing and the focus over the next year is to ramp up the operation of the stud to increase stock levels in order to meet the demand.

DiCE Molecules (\$2.3 million)

DiCE Molecules is a privately held US biotechnology company running 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.

DiCE has been making great progress in 2020, despite the COVID-19 related challenges. DiCE now has an orally available drug candidate approaching clinical development, this candidate has a strong potential for an efficacious and convenient oral treatment for psoriasis. Additionally, DiCE is continuing work on their Sanofi-partnered immunology small molecule program which they are seeking to advance into preclinical studies this year. 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 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 \$14.4 billion dollars of underlying mortgages, real estate rental contracts and financial planning books that underpin its loan book security. This annuity income serves as the source of cashflows that support and service its loan book. At the time of writing TrailBlazer has no loan defaults and arrears of less than 1% on a loan book of almost \$24,000,000 (June 2020).

National Stock Exchange of Australia Limited (\$0.9 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.

NSX has had an eventful year with ISignthis investing \$4.2m, John Karantzis (founder of Isignthis) stepping into an interim CEO role and the completion of a separate capital raise in May of \$3m. The key challenge for NSX is to facilitate connections between brokers and their exchange which will facilitate greater liquidity on their platform and encourage further companies to list. The management team is working on a number of strategies to achieve this and Gowings hopes to see significant progress in the upcoming financial year.

Phalla Pharma Limited / TPI Enterprises Limited (\$0.9 million)

Phalla Pharma is an Australian headquartered global pharmaceutical business which uses poppy straws to manufacture drugs such as Morphine, Thebaine, Oripavine, and Codeine. PAL converts the raw material into Active Pharmaceutical Ingredients (API) in Melbourne, which are then processed into Finished Dosage Formula (tablets) via its Norwegian facility and distributed globally. Additionally, PAL sells poppy seed for culinary purposes.

PAL had a poor half yearly result through to the end of June 2020 with significant falls in revenue and other income statement items. This was driven by a planned early exit from a non-opiate based supply agreement, lower poppy seed sales volumes, and lower active pharmaceutical ingredients volumes sold to a UK customer who lost their operating license. The company expects modestly lower full year revenue. Longer term, PAL is looking to secure more finished dosage formula contracts which will allow it to capture the full value of its supply chain as opposed to selling active pharmaceutical ingredients which doesn't allow for full margin capture of their vertical.

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. Hexima's lead product (HXP124) is a topical treatment for nail fungus (onychomycosis). HXP124 is an easy to apply solution that is painted onto nails, and rapidly clears fungus from the nail bed.

Hexima's clinical trial results to date indicate that HXP124 is safe and well tolerated, having an industry-leading rate of improvement of infected nails: eliminating the fungal infection in >50% of nails after 6 weeks of daily treatment which is twice as effective as the next best product in that time frame.

Hexima is now conducting an Australian Phase IIb clinical trial for HXP124 which will assess the activity of HXP124 after longer dosing and follow-up to allow time for the infected nail to grow out and resolve the infection. Hexima is pleased to report that this trial was recently given Australian ethics approval to proceed and has begun screening for eligible patients. Gowings looks forward to seeing the result from these trials and the eventual move to monetising this drug candidate.

Blackfynn (\$0.4 Million)

Blackfynn is a Philadelphia based start-up focused on helping to solve the unmet need in neurology through building the leading high-quality clinical and patient data ecosystem linked to deep domain expertise. Their objective is to become the de facto clinical partner for every pharmaceutical and biotech company developing medicines for neurodegenerative disease. Blackfynn aims to accelerate the development of new treatments and improve the probability of success of clinical studies.

Blackfynn closed a funding expansion of their existing collaboration with the Michael J Fox Foundation and are focusing on three key projects: (1) building an electronic data capture system, (2) conducting analyses to predict Parkinson's Disease progression, (3) deploying a patient-facing platform that will enable direct acquisition of patient reported outcomes data. This deal provides them substantially increased runway and ability to grow their team and supports the cost of building a high-quality patient and clinical data capture platform.

EFTSure (\$0.6 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.

The year for EFTSure was one of continued growth and while the second half of the year (and certainly the final quarter) was defined by the societal and economic impact of COVID-19, the year concluded having proved that the EFTSure product is highly relevant, their team is resilient and its customers sufficiently loyal to continue to grow through the complex and challenging months ahead.

During the year EFTSure grew annual recurring income by 67% with major client wins in the Construction and Property, hospitality, healthcare and professional service sectors. These wins together with 89% of the customer base on yearly contracts place EFTSure in a strong position for future growth.

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 (\$0.9 million)

PowerPollen is an early-stage agricultural technology company based in Iowa, USA, that is working on advanced yield enhancement technology that enables higher yields 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 is expected to grow to 9 billion by the year 2050.

PowerPollen continues to advance both its technology and its business agreements, they are now fairly consistently delivering commercially relevant increases in yields and have secured a number of monetizable agreements. PowerPollen closed a US\$13 million series B funding round which will accelerate global adoption of their pollination on-demand technology in corn seed and expand innovation to corn grain, wheat, and rice. Gowings convertible note converted during this round and the group also committed additional equity capital, we're excited by the progress and looking forward to seeing what the team at PowerPollen can deliver in the coming years.

Private Equity Funds

Five V Capital (\$1.6 million)

Five V Capital was set up and is 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 has invested in leading businesses across a range of sectors including healthcare, retail, media, consumer, technology, and financial services. The Five V focus is on businesses with an enterprise value of between \$20 million and \$200 million, where they can take a significant ownership position alongside their partners. The principals of Five V Capital have committed a substantial amount of their own capital to Fund II, driving alignment of interests between the managers and investors.

Five V have been really pleased with the performance of their portfolio since the pandemic presented itself as a significant issue. Having a starting position of low debt and high liquidity has proven its worth during these challenging times. Their portfolio company management teams have been excellent and invaluable, each of them took swift and decisive action to batten down the hatches to ensure that their respective businesses were able to weather the storm. Five V Capital has finalised fundraising for Fund III, to continue to pursue its investment strategy, with capital commitments now in excess of \$350 million.

OurCrowd Australia (\$1.2 million)

OurCrowd is the leading global equity crowdfunding platform for accredited investors, selecting investment opportunities and bringing 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.

Gowings has invested \$US 1.1 million into OurCrowd which has now been fully deployed across 25 companies covering healthcare, tech hardware, software, fintech, and mobility. During the period Gowings participated in follow on rounds for Celeno, a smart wi-fi semiconductor company, and enVerid, an air treatment and energy saving tool for HVAC systems.

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

Our Innovation Fund (\$1.8 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 portfolio companies across sectors including enterprise software, hardware/devices and financial technology businesses including companies such as Advanced Navigation, Enboarder, and Interclustr. The portfolio investments have had strong performance to date, no new portfolio companies have been invested in this period, and cash remains for several follow-on rounds.

Pacific Coast Shopping Centre Portfolio

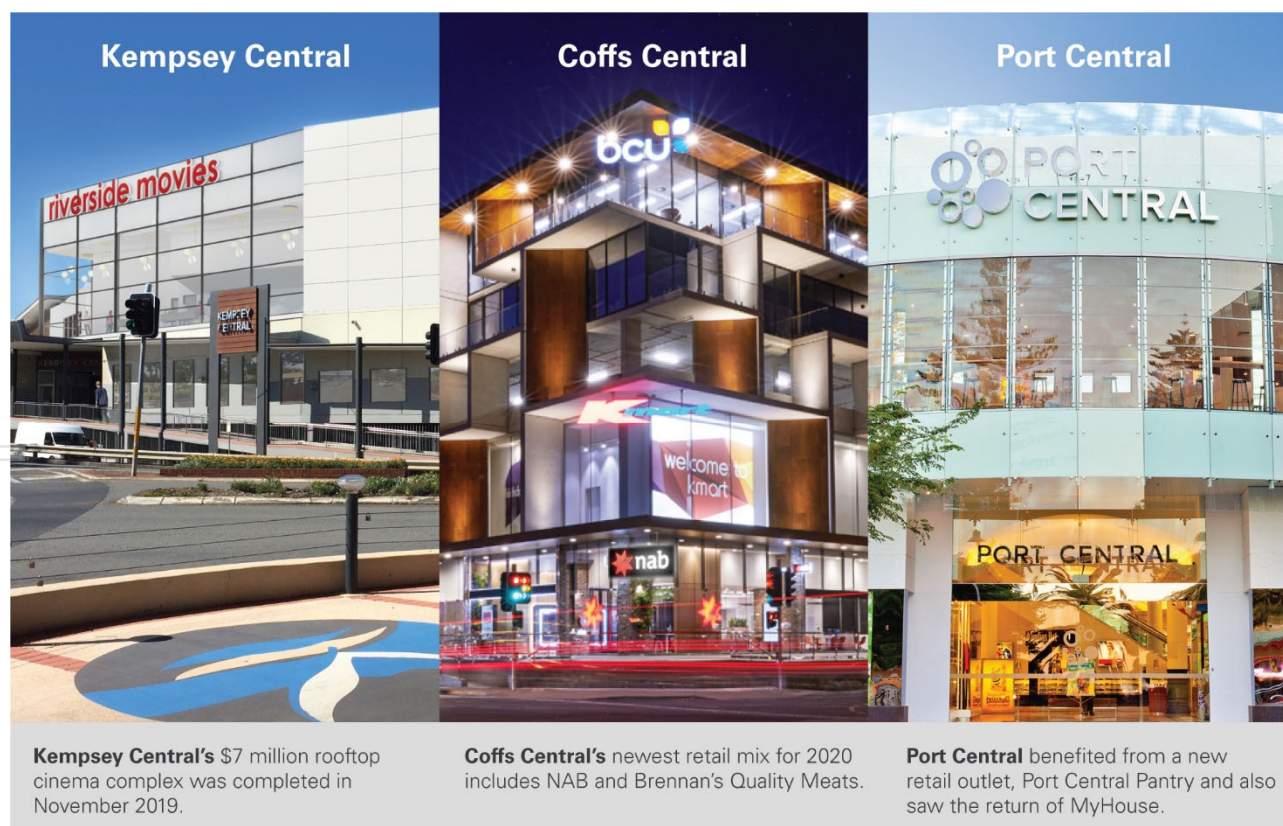
Whilst the COVID 19 pandemic brought significant disruption to our shopping centres during the period, we are pleased with the current performance of our regional centres. Foot traffic levels have recovered to be in line with prior year corresponding periods and many retailers are reporting higher sales. Of course, there are retailers who continue to be impacted by the restrictions, whom we will continue to support.

Prior to the Federal Government announcing the Retail Code of Conduct, Gowings moved expediently to support its long term specialty retail partners by granting them a 100% rental abatement for the April to June 2020 period. This afforded much needed certainty and support to many small businesses providing a lifeline during one of the worst retail periods in history. Gowings demonstration of its commitment to its retailers was industry leading and meant that we lost only one tenant (travel related) during the period. Importantly, our actions have fostered stronger relationships with our retailers and protected the value of our centres.

The financial impact to our business during the period has been on cashflow with rental income down in line with abatements granted. Given our generosity for the quarter through to 30 June 2020, we have been invoicing our retailers 100% since 1 July 2020, of which, to date we have collected 84% of the July invoices. Notably, the retailers who are not paying their rent are some of the largest nationals who appear to have an agenda with landlords.

Pleasingly, we implemented a restructure of our leasing operations in February, which has born fruit with occupancy marginally increasing during a difficult period and a large number of lease renewals having been completed. Post year end, we have secured further new retailers with the leasing momentum continuing.

We continue to progress various leasing and development opportunities at each of the centres subject to the ongoing environment.



Moonee Marketplace

The centre was purchased in April 2010 and received significant capital reinvestment during the following nine years of ownership including centre refurbishment works and a complete leasing re-mix. Further to the ASX announcement dated 1 November 2019, Gowings was pleased with the sale of Moonee Market. The sale price of \$30.5 million representing a passing yield of 6.4%. The sale price exceeded the current book value and delivered an overall capital gain of \$14.8m for shareholders.



Other Direct Properties

Sawtell Commons – Residential Subdivision

Sawtell Commons continues with Stage 2 release and already 23 lots have progressed to being pre-sold. Most of the display village homes from stage 1 are now open with the remaining homes due to open shortly. The open house weekend events have attracted over 100 groups through daily. Construction continues on site with stage 2a registration expected before the end of 2020 and stage 2 registration during 2021. Both sales offices onsite and at Coffs Central are operational with plenty of walk-in interest from prospective buyers.



The Forestry – Development Site

The Jetty development site located at 357 Harbour Drive has now been demolished, paving the way for an exciting new mixed-use development for Gowings. DFJ Architecture 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.



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
I. Morgan	Company Secretary
R. Ambrogio	Chief Financial Officer and Company Secretary

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 30th day of September 2020 in accordance with a resolution of the directors.



J. E. Gowing
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended	Notes	31 July 2020 \$'000	31 July 2019 \$'000
Revenue			
Interest income		211	256
Equities		679	726
Private equities		131	82
Investment properties	5	15,819	20,835
Development properties		2,277	-
Revenue from the sale of goods (Surf Hardware International)		42,660	42,538
Total revenue		61,777	64,437
Other income			
Gains / (losses) on disposal or revaluation of:			
Private equities		990	1,228
Investment properties	5	1,156	(28,044)
Derivatives		(290)	(3,319)
Other income		1,193	943
Total other income / (loss)		3,049	(29,192)
Total revenue and other income		64,826	35,245
Expenses			
Investment properties	5	7,490	8,859
Development properties		1,541	-
Finished goods, raw materials and other operating expenses (Surf Hardware International)		40,637	41,881
Administration		1,644	1,323
Borrowing costs		4,716	5,211
Depreciation		1,805	815
Employee benefits		1,499	2,490
Public company		450	453
Total expenses		59,782	61,032
Profit / (Loss) from continuing operations before income tax		5,044	(25,787)
Income tax (expense) / benefit	4	(297)	6,384
Profit / (Loss) from continuing operations		4,747	(19,403)
<i>Profit / (loss) from continuing operations is attributable to:</i>			
Members of Gowing Bros. Limited		4,747	(19,403)
Non-controlling interests		-	-
Profit / (Loss) from continuing operations		4,747	(19,403)

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended	Notes	31 July 2020 \$'000	31 July 2019 \$'000
Profit / (Loss) from continuing operations		4,747	(19,403)
Other comprehensive loss			
Items that will be reclassified to profit or loss:			
Exchange rate differences on translating foreign operations, net of tax		(197)	254
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		(5,819)	(596)
Gain on revaluation of property, plant and equipment net of tax		-	-
Total comprehensive loss		(1,269)	(19,745)
<i>Total comprehensive income / (loss) attributable to:</i>			
Members of Gowing Bros. Limited		(1,269)	(19,745)
Non-controlling interests		-	-
Total comprehensive loss		(1,269)	(19,745)
Earnings / (loss) per share			
Basic earnings / (loss) per share	10	8.82c	(36.07)c
Diluted earnings / (loss) per share	10	8.82c	(36.07)c

The above Consolidated Statement of Other Comprehensive Income should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	Notes	31 July 2020 \$'000	31 July 2019 \$'000
Current assets			
Cash and cash equivalents		18,599	11,314
Loans receivable		-	89
Inventories		5,095	6,538
Trade and other receivables		7,412	8,885
Current tax receivable		-	84
Other		1,166	1,750
Total current assets		32,272	28,660
Non-current assets			
Trade and other receivables		62	480
Loans receivable		2,700	2,400
Equities		32,265	40,021
Private equities		4,751	4,907
Development properties		16,117	16,164
Investment properties	5	202,442	232,016
Property, plant and equipment		8,504	8,778
Right of use asset		2,802	-
Intangibles		4,485	4,536
Deferred tax assets		3,610	3,406
Other		1,769	1,800
Total non-current assets		279,507	314,508
Total assets		311,779	343,168
Current liabilities			
Trade and other payables		5,042	7,370
Borrowings		1,824	2,453
Leases		1,030	-
Derivatives		1,439	895
Current tax liabilities		5,032	-
Provisions		1,402	1,330
Total current liabilities		15,769	12,048
Non-current liabilities			
Trade and other payables		169	222
Borrowings		84,386	107,073
Leases		1,970	-
Derivatives		2,878	3,132
Provisions		482	547
Deferred tax liabilities		22,050	29,022
Total non-current liabilities		111,935	139,996
Total liabilities		127,704	152,044
Net assets		184,075	191,124
Equity			
Contributed equity	7	12,895	13,288
Reserves	9	95,151	100,796
Retained profits	6	76,031	77,042
Contributed equity and reserves attributable to members of Gowings Bros. Limited		184,077	191,126
Non-controlling interests		(2)	(2)
Total equity		184,075	191,124

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes.

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 2018	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	-	-
<i>Transactions with owners in their capacity as owners:</i>							
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
Total comprehensive income / (loss) for the year	-	-	(5,819)	(197)	4,747	-	(1,269)
Transfer of loss on disposal of equity instruments at fair value through comprehensive income to retained earnings, net of tax	-	-	371	-	(371)	-	-
<i>Transactions with owners in their capacity as owners:</i>							
Dividends paid	-	-	-	-	(5,387)	-	(5,387)
Share buy back	(393)	-	-	-	-	-	(393)
Balance at 31 July 2020	12,895	90,503	4,451	197	76,031	(2)	184,075

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended	Notes	31 July 2020 \$'000	31 July 2019 \$'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		67,260	69,735
Payments to suppliers and employees (inclusive of GST)		(56,053)	(58,982)
Dividends received		679	726
Interest received		211	256
Borrowing costs paid		(4,716)	(5,211)
Income taxes received (paid)		470	(355)
Net cash inflows from operating activities		7,851	6,169
Cash flows from investing activities			
Payments for purchases of properties, plant and equipment		(203)	(654)
Payments for purchases of intangibles		(210)	(472)
Payments for purchases of development properties		(1,817)	(2,083)
Payments for purchases of investment properties		(3,540)	(5,398)
Payments for purchases of equity investments		(5,086)	(8,698)
Loans made		(300)	(1,089)
Proceeds from repayment of loans made		89	-
Proceeds from sale of properties, plant and equipment		-	70
Proceeds from sale of equity investments		5,675	4,378
Proceeds from sale of development properties		2,277	-
Proceeds from sale of investment properties	5	32,452	1,831
Net cash inflows / (outflows) from investing activities		29,337	(12,115)
Cash flows from financing activities			
Payments for share buy-backs		(393)	-
Proceeds from borrowings		6,000	17,692
Repayment of borrowings		(29,316)	(630)
Repayments of lease liabilities		(807)	-
Dividends paid		(5,387)	(5,096)
Net cash (outflows) / inflows from financing activities		(29,903)	11,966
Net increase in cash held		7,285	6,020
Cash and cash equivalents at the beginning of the financial year		11,314	5,294
Cash and cash equivalents at the end of the financial year		18,599	11,314

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 16: Leases. The impact of the adoption of this standard and the respective accounting policies are disclosed below.

Adoption of AASB 16: Leases (AASB 16)

The Group has adopted AASB 16 from 1 August 2019 which replaces AASB 117 Leases ("AASB 117"). AASB 16 has been applied using the modified retrospective approach and comparative information has not been restated, as permitted under the specific transition provisions in the standard.

The adoption of AASB 16 has resulted in the Group recognising right-of-use assets and related lease liabilities in connection with all former leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. Operating lease expense is also no longer recognised for these operating leases and is now replaced by interest and depreciation expense in the statement of profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities as borrowing costs paid and the principal portion of the lease payments are separately disclosed in financing activities, as repayment of lease liabilities.

On adoption, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 August 2019. The weighted average incremental borrowing rate that applied to the lease liabilities on 1 August 2019 was 6%.

The Group also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of adoption.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following practical expedients permitted by AASB 16 were applied by the Group on adoption:

The Group accounted for operating leases with a remaining lease term of less than 12 months as at 1 August 2019 as short-term leases; the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and the Group relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of the date of initial application. Instead, for contracts entered into before the transition date the Group has relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(i) Measurement of lease liabilities

The following is a reconciliation of total operating lease commitments at 31 July 2019 to the total lease liabilities recognised at 1 August 2019:

	\$'000
Operating lease commitments as at 31 July 2019	4,047
Short-term leases and leases of low-value assets not recognised as a liability	(307)
Other minor adjustments relating to commitment disclosures	60
	<hr/>
Operating lease liabilities before discounting	3,800
Discounted using incremental borrowing rate	(405)
	<hr/>
Total lease liabilities recognised under AASB 16 at 1 August 2019	<u><u>3,395</u></u>

(ii) Adjustments recognised in the statement of financial position on 1 August 2019

Adjustments recognised as a result of the adoption of AASB 16 affected the following items in the statement of financial position on 1 August 2019:

- Lease liabilities (current & non-current) – increase by \$3,395,000
- Right-of-use assets (non-current) – increase by \$3,438,000
- Prepayments (current) – decrease by \$43,000

The net impact on retained earnings on 1 August 2019 was \$nil.

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 2019. 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

2. SEGMENT INFORMATION (CONTINUED)

For the year ended	31 July 2020 \$'000	31 July 2019 \$'000
Segment revenue		
Cash and fixed interest – interest received	211	256
Equities – dividends and option income received	679	726
Private equities – distributions received	131	82
Investment properties – rent received	15,819	20,835
Development properties – realised gains on disposal	2,277	-
Surf Hardware International business – sale of goods	42,660	42,538
	61,777	64,437
Segment other income		
Private equities – unrealised fair value gains / (losses)	990	1,228
Investment properties – unrealised fair value gains / (losses)	1,156	(28,044)
Other gains / (losses)	903	(2,376)
	3,049	(29,192)
Total segment revenue and other income	64,826	35,245

For the year ended	31 July 2020 \$'000	31 July 2019 \$'000
Segment result		
Cash and fixed interest	211	256
Equities	679	726
Private equities	1,121	1,310
Investment properties	5,569	(20,690)
Development properties	736	-
Surf Hardware International business	1,272	804
Other	(4,544)	(8,193)
Total segment result	5,044	(25,787)
Income tax (expense) / benefit	(297)	6,384
Net profit / (loss) after tax	4,747	(19,403)

As at	31 July 2020 \$'000	31 July 2019 \$'000
Segment assets		
Cash and fixed interest	18,599	11,314
Equities	32,265	40,021
Private equities	4,751	4,907
Investment properties	202,442	232,016
Development properties	16,117	16,164
Surf Hardware International business	18,814	17,944
Unallocated assets	18,791	20,802
Total assets	311,779	343,168
Segment liabilities		
Investment properties	81,525	91,170
Surf Hardware International business	7,959	5,471
Unallocated liabilities	38,220	55,403
Total liabilities	127,704	152,044

2. SEGMENT INFORMATION (CONTINUED)

For the year ended	31 July 2020 \$'000	31 July 2019 \$'000
Payments for the acquisition of:		
- Investment properties	3,540	5,398
- Development properties	1,817	2,083
- Equities	5,086	8,698
Gains / (losses) on disposal or revaluation of:		
- Investment properties	1,156	(28,044)
- Private equities	990	1,228
Unallocated:		
- Payments for the acquisition of property, plant and equipment	203	654
- Payments for the acquisition of intangibles	210	472

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 \$3.27 million (2019: \$1.56 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, right of use assets and intangibles, net of related provisions. Segment liabilities consist of borrowings, trade and other payables, lease liabilities 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 2020 \$'000	31 July 2019 \$'000
Profit / (Loss) from continuing operations before income tax includes the following specific items:		
Gains		
Private equity investment distributions	131	82
Expenses		
Interest and other borrowing costs	4,716	5,211
Employee benefits	10,907	12,735
Cost of sales (Surf Hardware International)	25,597	25,290
Cost of sales (development properties)	1,541	-

4. INCOME TAX

For the year ended	31 July 2020 \$'000	31 July 2019 \$'000
Current tax	5,197	286
Deferred tax	(3,881)	(7,573)
(Over) / under provided in prior years	(1,019)	903
	297	(6,384)
Income tax attributable to:		
Profit / (Loss) from continuing operations	297	(6,384)
Aggregate income tax expense / (benefit) on profit	297	(6,384)
Reconciliation of income tax expense / (benefit) to prima facie tax payable		
Profit / (Loss) from continuing operations before income tax (benefit) / expense	5,044	(25,787)
Tax at the Australian tax rate of 30% (2019: 30%)	1,513	(7,736)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable income / Non-deductible expenses	347	502
Franked dividends	(194)	(127)
(Over) / under provision in prior year	(1,019)	903
Deferred tax assets not recognised and effect of tax rates in foreign jurisdictions	(350)	74
Income tax expense / (benefit)	297	(6,384)
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	(2,335)	(256)

5. NON-CURRENT INVESTMENT PROPERTIES

For the year ended	31 July 2020 \$'000	31 July 2019 \$'000
At fair value		
Balance at beginning of year	232,016	256,678
Additions	2,447	6,491
Disposal proceeds	(32,452)	(1,831)
Net gain on disposal	2,115	410
Transfers in / (out)	-	64
Amortisation on incentives	(725)	(1,342)
Net loss from fair value adjustment	(959)	(28,454)
Balance at end of year	202,442	232,016
Amounts recognised in profit of loss for investment properties		
Rental revenue	15,819	20,835
Direct operating expenses from rental generating properties	(7,490)	(8,859)
Net gain on disposal	2,115	410
Net loss on revaluation	(959)	(28,454)
	9,485	(16,068)

Change in fair values of investment properties are recorded in other income

5. NON-CURRENT INVESTMENT PROPERTIES (CONTINUED)

	Valuation Method	Weighted average cap rate 2020	Weighted average cap rate 2019	31 July 2020 \$'000	31 July 2019 \$'000
Sub-regional shopping centres (Coffs Central & Port Central)	(a)	6.71%	6.75%	178,277	177,991
Neighbourhood shopping centres (Kempsey Central) (2019:Kempsey Central & Moonee Marketplace)	(a)	8.00%	7.71%	19,854	47,640
Other properties	(b)		n/a	4,311	6,385
				202,442	232,016

- (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 2020 were based on management prepared valuations.
- (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 2020 \$'000	31 July 2019 \$'000
Retained profits at the beginning of the financial year	77,042	101,535
Net profit / (loss) attributable to members of Gowing Bros. Limited	4,747	(19,403)
Transfer realised (loss) / gain on equity sales, net of tax	(371)	818
Dividends provided for or paid	(5,387)	(5,908)
	76,031	77,042

7. CONTRIBUTED EQUITY AND ISSUED SECURITIES

	Number of shares 31 July 2020	Number of shares 31 July 2019	31 July 2020 \$'000	31 July 2019 \$'000
Share capital				
Ordinary shares fully paid	53,746,240	53,939,195	12,895	13,288

Movements in ordinary share capital

Date	Details	Number of shares	Issue price per share	\$'000
31/07/2019	Balance	53,939,195		13,288
23/10/2019	Share buy back	(73,200)	2.25	(165)
25/11/2019	Share buy back	(10,000)	2.28	(23)
28/11/2019	Share buy back	(20,000)	2.25	(45)
2/03/2020	Share buy back	(35,000)	2.20	(77)
25/06/2020	Share buy back	(54,755)	1.50	(83)
		53,746,240		12,895

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 30 September 2020.

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

192,955 shares were bought back during the year (2019: Nil).

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 2020:			
Final fully franked dividend	5.0 cents	2,696,960	31 October 2019
Interim fully franked dividend	5.0 cents	2,690,050	23 April 2020

Dividends paid during the year were fully franked at the tax rate of 30%.

Since the end of the year ended 31 July 2020, the directors declared the following dividend:

Final fully franked dividend	3.0 cents	1,612,387	29 October 2020
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The dividend declared since the year end will be fully franked at the tax rate of 30%.

9. RESERVES

As at	31 July 2020 \$'000	31 July 2019 \$'000
Capital profits reserve¹		
Opening balance	90,503	90,503
Transfer from retained profits	-	-
Closing balance	90,503	90,503
Long term investment revaluation reserve²		
Opening balance	8,308	9,722
Changes in financial assets held at fair value through other comprehensive income		
- Changes in fair value of equities	(8,313)	(852)
- Deferred tax applicable to fair value adjustments	2,494	256
- Transfer of loss / (gain) on disposal of equity instruments at fair value through comprehensive income to retained earnings, net of tax	371	(818)
Closing balance	2,860	8,308

9. RESERVES (CONTINUED)

As at	31 July 2020 \$'000	31 July 2019 \$'000
Asset revaluation reserve³		
Opening balance	1,591	1,591
Fair value adjustments on property, plant and equipment		
- Changes in fair value of property, plant and equipment	-	-
- Deferred tax applicable to fair value adjustments	-	-
Closing balance	1,591	1,591
Foreign currency translation reserve⁴		
Opening balance	394	140
Exchange differences on translation of foreign operations	(197)	254
Closing balance	197	394
Total reserves	95,151	100,796

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 increments and decrements 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 2020	31 July 2019
Basic earnings / (loss) per share (cents)	8.82	(36.07)
Diluted earnings / (loss) per share (cents)	8.82	(36.07)
Weighted average number of ordinary shares on issue (basic and diluted)	53,842,723	53,782,955
Net profit / (loss) after tax	\$4,747,000	\$(19,403,000)

11. NET TANGIBLE ASSET BACKING

As at	31 July 2020	31 July 2019
NTA per ordinary security before tax on unrealised gains	\$3.55	\$3.75
NTA per ordinary security after tax on unrealised gains	\$3.34	\$3.46

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 2020 \$'000	31 July 2019 \$'000
Current assets		
Cash	74	24
Trade and other receivables	18	21
Total current assets	92	45
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	3,092	3,045
Current liabilities		
Trade and other payables	18	27
Borrowings	1,350	1,425
Total current liabilities	1,368	1,452
Non-current liabilities		
Borrowings	-	-
Total non-current liabilities	-	-
Current share of liabilities employed in joint venture	1,368	1,452
Net assets employed in joint venture	1,724	1,593

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 % 2020	Ownership Interest % 2019
Pacific Coast Developments 357 Pty Ltd	Australia	100	100
Pacific Coast Developments 357 Fund	Australia	99.9	99.9
1868 Capital Pty Ltd	Australia	100	100
Pacific Coast Developments 112 Fund	Australia	99.9	99.9
Gowings SHI Pty Ltd	Australia	99.9	99.9
SHI Holdings Pty Ltd*	Australia	99.9	99.9
Fin Control Systems Pty Ltd*	Australia	99.9	99.9
Surfing Hardware International Holdings Pty Ltd*	Australia	99.9	99.9
Surf Hardware International Asia Pty Ltd*	Australia	99.9	99.9
Surf Hardware International Europe SARL*	France	99.9	99.9
Surf Hardware International UK Ltd*	England	99.9	99.9
OZ4U Holdings Pty Ltd*	Australia	99.9	99.9
Sunbum Technologies Pty Ltd*	Australia	99.9	99.9
Surfing Hardware International USA Inc.*	United States of America	99.9	99.9
Surf Hardware International USA Inc.*	United States of America	99.9	99.9
Surf Hardware International Hawaii Inc.*	United States of America	99.9	99.9
Surf Hardware International Japan KK*	Japan	99.9	99.9
Surf Hardware International Pty Ltd*	Australia	99.9	99.9
Surf Hardware International New Zealand Pty Ltd*	New Zealand	99.9	99.9
Gowings Master Trust	Australia	100	100
1868 High Yield Trust	Australia	100	100
Gowings Life Sciences Trust	Australia	100	100
Gowing Bros Management Services Pty Ltd	Australia	100	100
Coastbeat Pty Ltd	Australia	100	100

* SHI Holdings Pty Limited and controlled entities controlled 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 2020 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.