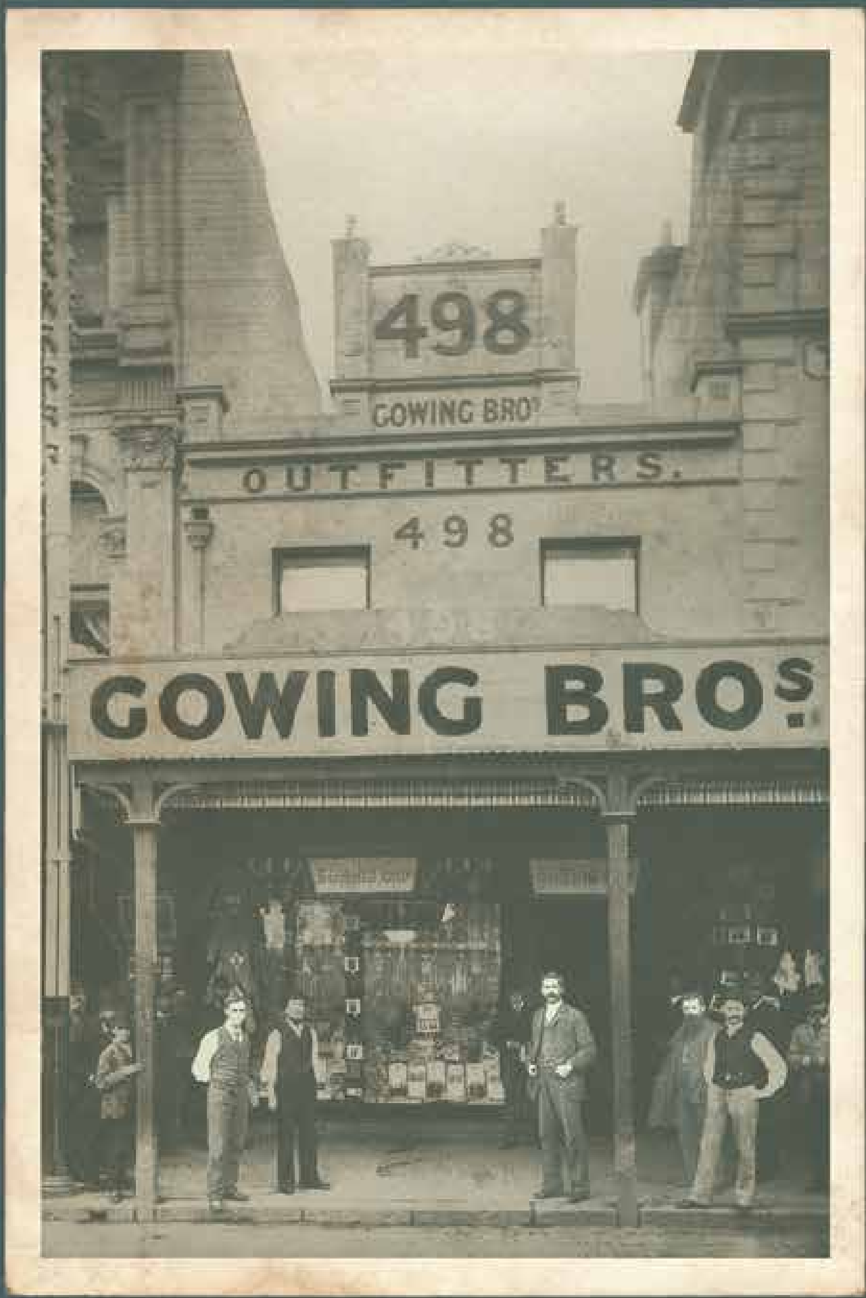
EST 1868

GOWING BROS



Gowings store, 1878. Charles Mac Gowing, left with toe on kerb; Preston Robert (wearing jacket) and John Ellis is the bearded gent.

Gowing Bros 150th Annual Report

31 July 2018

Corporate Directory

Directors	Professor Jonathan West (Chairman) Mr. John Gowing (Managing Director) Mr. Sean Clancy (Non-executive Director) Mr. John Parker (Non-executive Director)
Associate Directors	Mr. James Gowing Mr. Ellis Gowing
Secretary	Ms. Belinda Flatters
Stock Exchange Listing	The Australian Securities Exchange Ticker Code: GOW
Registered Office	Suite 21, Jones Bay Wharf 26 – 32 Pirrama Road Pyrmont NSW 2009 Phone: 61 2 9264 6321 Fax: 61 2 9264 6240 Email: info@gowings.com
Share Registry Office	Computershare Investor Services Pty Limited Level 4, 60 Carrington Street Sydney NSW 2000 Phone: 1300 855 080 Fax: 61 2 8234 5050
Auditors	HLB Mann Judd (NSW Partnership) Level 19, 207 Kent Street Sydney NSW 2000 Phone: 61 2 9020 4000
ABN	68 000 010 471
ACN	000 010 471

Contents

"We are now firmly focussed on building our wealth management business. We have successfully delivered on our strategy plan to-date & we expect to continue doing so."

John Gowing

Iconic Gowings Ads Campaigns Through Time

'Gone to Gowings' 1946 - 1968

The slogan 'Gone to Gowings' has gone on to become part of the Australian vernacular, even earning a place in the Macquarie dictionary as meaning : Down on your luck, lost at the races... The Gowings' cartoons quickly gained recognition and 'Gone to Gowings' was seen scrawled on wrecked jeeps and tanks during World War II. The ads ran over many years in the local papers. Local artists were commissioned to create images for the 'Gone to Gowings' cartoons.

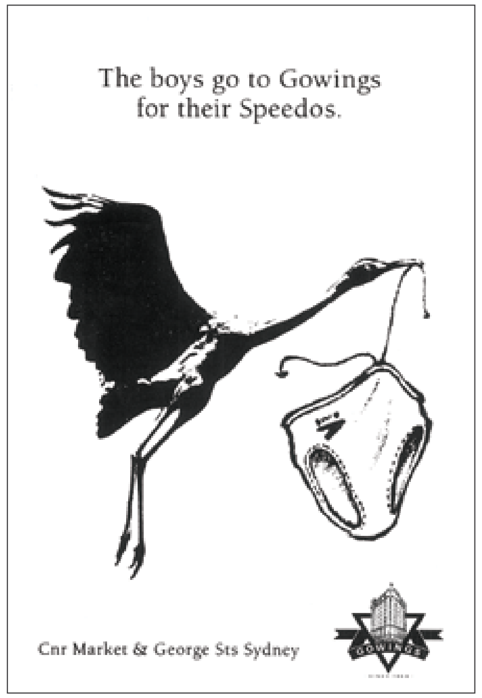
Innovators Evolution 1950s - 1990s

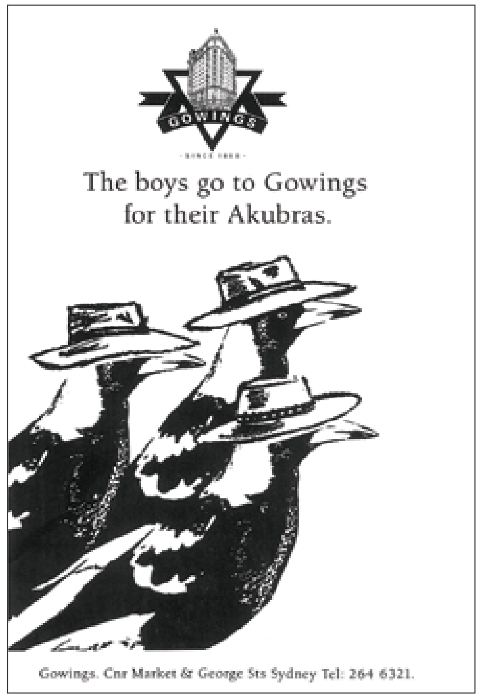
'Gone to Gowings' transforms to 'Go to Gowings'

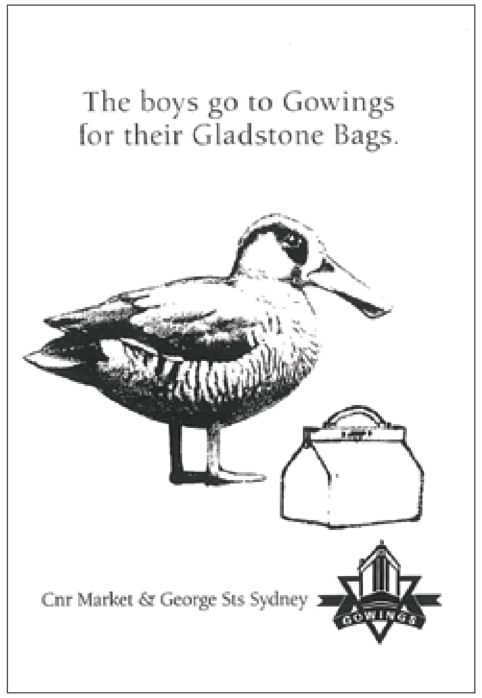
'The boys go to Gowings' 1990 - 2001

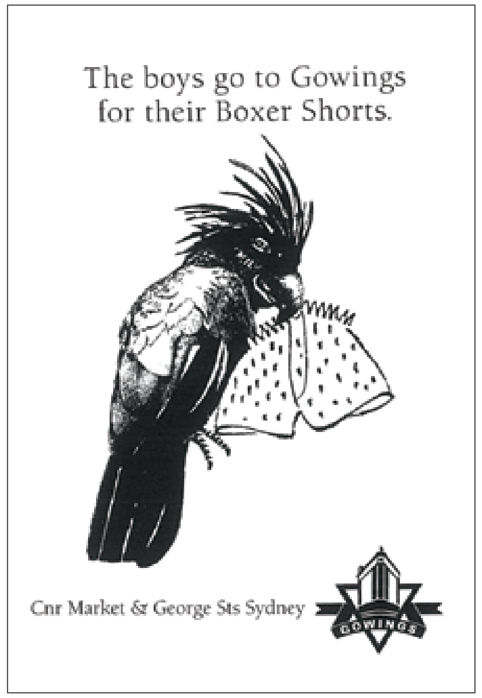
The 'boys go to Gowings' campaign which started in May 1990 was developed by McSpeddan Carey to capitalise on the success of the earlier 'Gone to Gowings' campaign. Featuring Australian native birds and iconic Australian brands, this campaign put Gowings back on the Sydney shoppers map. Largely as a result of the 'boys go to Gowings' advertisements placed in the Sydney Morning Herald, the Market & George Street store sales increased by 35% from $8.8 million to $12 million per year. A mighty achievement.

The campaign won the Caxton Newspaper Campaign of the Year award and was placed on permanent display at the Powerhouse Museum in Sydney.









EST 1868
GOWING BROS.LTD

History and Innovation 1868 - 2018

1868 – John Ellis Gowing opens first Gowings Store

1890 – Gowings open 498 George St

1892 – Gowings are one of the first companies to list in the telephone directory as '6321'

1893-95 – 1890s Australian Depression

1899-1902 – Boer War

1901 – Gowings pioneers promotion of 'Australian Made'

1908 – John Ellis Dies. Gowings Book released

1914-18 – WW1

1929 – Gowings store George & Market St opens First steel structure building in Sydney CBD & one of the tallest buildings in Sydney

1929-39 – Great Depression

1939-45 – WW2

1940 – 'GONE TO GOWINGS' Campaign

1941 – EJ(Ted) Gowing becomes a director

1946 – Gowings establishes employee share scheme

1950-60 – Malay Emergency

1950-53 – Korean war

1953 – Ted Gowing establishes share portfolio

1959-73 – vietnam War

1960 – Gowings is first retailer to install air con and music in the lifts

1968 – Gowings 100 Birthday Celebrations

1974 – Cash & wrap installed with self-service to counter wage explosion

1987 – J.E. (John) Gowing appointed Managing Director

1990-91 – First Gulf War

1991 – 'Boys Go To Gowings' Campaign

1992 – Gowings Journal re-issued

1995 – Gowings Reintroduce Own Brand

1996 – Oxford St store opens. Wynyard store opens 319 George St, with "Blokeatorium" Gowings open QVB Link.

1998 – Gowings online store opens

1999 – East Timor Peacekeeping

2000 – Market st store refurbished. Gowings Whale trust established

2003 – Second Gulf War

2006 – Gowings sell the Market St Building

2008-11 – Global Financial Crisis

2010 – Gowings establishes Pacific Coast Shopping Centres

2016 – Gowings acquires Surf Hardware International

2017 – Gowings Launches Coastbeat

2017 – Gowings Whale Trust partners with Sea Shepherd

2018 – Gowings Establishes 1868 Capital

About Gowings

Net Assets

£92,781	$3.4M	$216M
1928	1972	2018

Investment Objective

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

Investment Philosophy

On 31 July 2018 Gowings completed its 150th year of operations. Gowings is an investment company whose investment horizon is inter-generational. In fact, Gowings has had only four managing directors since its establishment in 1868. Being a shareholder in Gowings is for investors who share a similar investment philosophy and who wish to invest alongside the Gowings family.

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

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

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

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

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

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

Transparent Communication

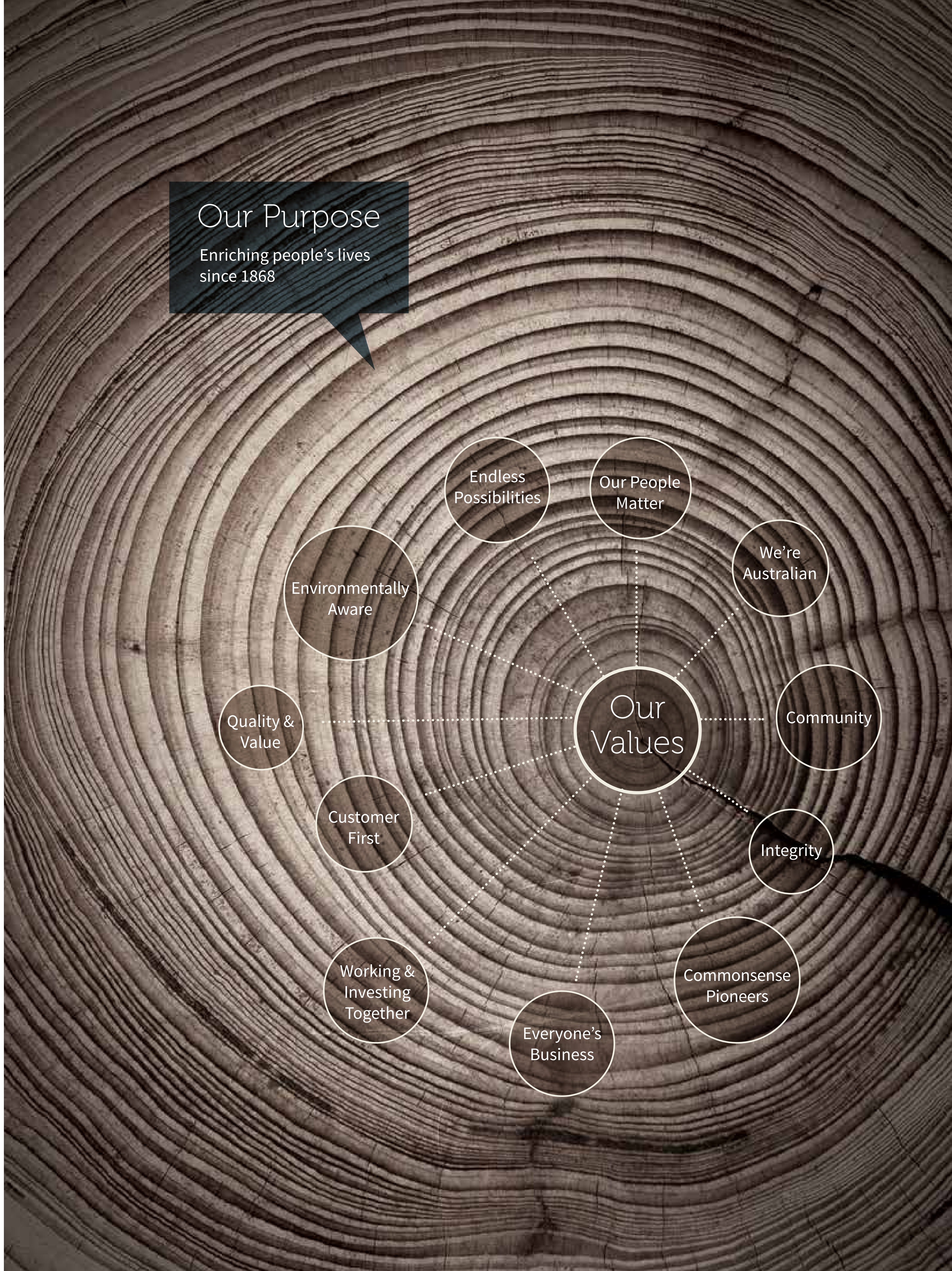
As an investor itself, Gowings values transparent information. An audit review is conducted half-yearly and formal audited financial statements are provided annually along with regular informal company updates.

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

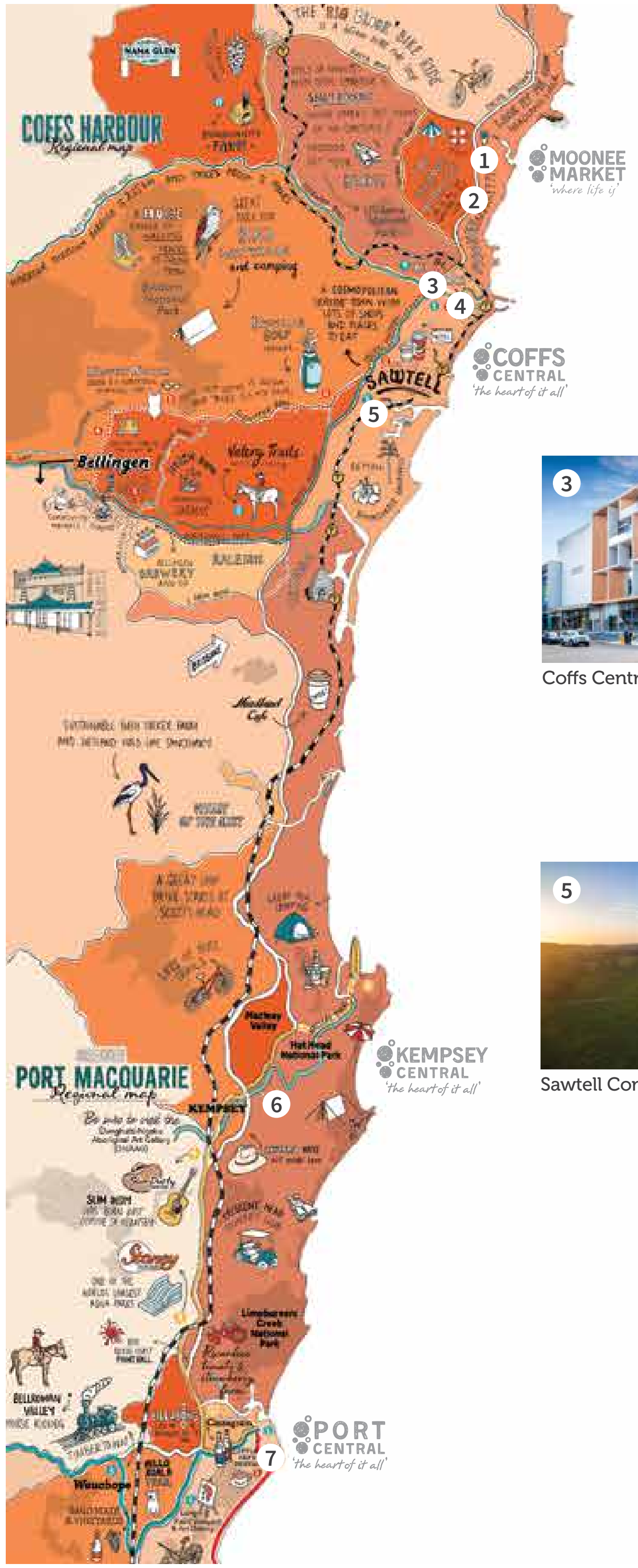
Investing in Gowings

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

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



Our North Coast Commitment: 'Steady, Constant Growth'

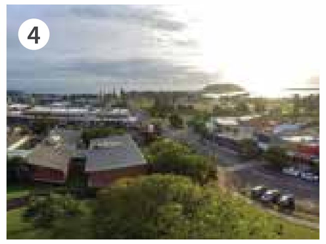


This map of the Mid North Coast was commissioned by Gowings and illustrated by Peita Blythe in 2017

Moonee Market

Moonee Vacant Land

Coffs Central



Harbour Drive Solitary 30

Sawtell Commons

Kempsey Central

Port Central

Population Growth *
2016-**2036**

76,200

+46,000
more homes required

Tourism Impact
2016

$3.7b
Regional Economy

12.2m
Tourist Visits

3RD
Most popular Australian tourist destination by overnight stays

Regional Airport Passengers
2006-**2016**

250%
Increase

1,064,100(2016)

304,008(2006)

New Dwelling Construction
2016-**2036**

$11b

Projected Gross Regional Product Contribution

Pacific Hwy Freight Transport
2011-**2031**

83%
Increase

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

Gowings has made a considerable investment in the North Coast of NSW. The area has, on an ongoing basis, been a significant beneficiary of substantial infrastructure investment by Local, State and Federal Governments. Many billions of dollars have already been invested in upgrading the Pacific Highway, the airports at Coffs Harbour and Port Macquarie, local hospitals, TAFEs and Universities, and of course connection to the NBN. Further infrastructure investments have been earmarked, including the $1.2 billion Coffs Harbour Bypass and a $156 million upgrade of Coffs Harbour Hospital. Gowings strategy is to invest alongside these infrastructure upgrades and benefit from the resultant 'steady, consistent growth' of the region.

The North Coast Regional Plan 2036 is the State Government's blueprint for the development of the North Coast over the next two decades. As a result of the infrastructure spending and natural growth, it envisages a population increase of 76,200 and more than 46,000 new homes being built.

Gowings' investments on the North Coast are summarised below:

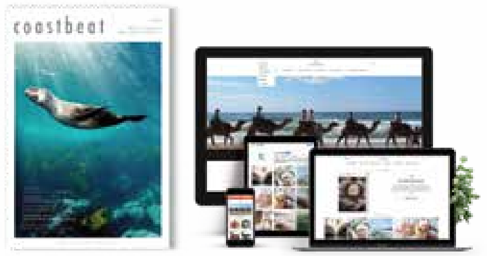
In Port Macquarie we have Port Central shopping centre and have lodged a development application for $15.2 million additional retail on the adjacent vacant site. We continue to be in discussion with Woolworths about opportunities for this site.

In Coffs Harbour we have Coffs Central shopping centre where the $35 million development has recently been finalised. We have also lodged a development application for the 222 lot Sawtell Commons housing subdivision and are investigating mixed-use opportunities for the Solitary 30 site on Harbour Drive.

In Kempsey, we have Kempsey Central shopping centre where- in conjunction with Kempsey Council and Federal Government-we are investing $7 million to build a new cinema complex on the roof of our shopping centre.

In Moonee Beach, we have Moonee Market shopping centre which has recently had a multi-million dollar upgrade, and we are investigating mixed-use opportunities for the 9,000m^2 site that sits adjacent to the shopping centre.

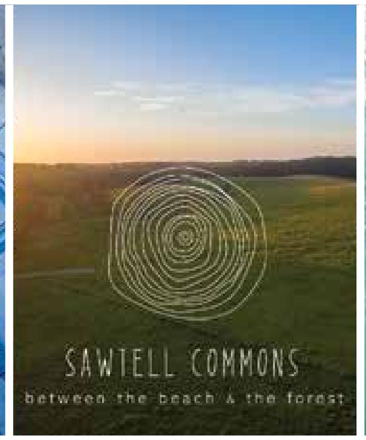
Gowings media initiative 'Coastbeat' supports our investments on the North Coast and showcases the best of local life, economy and events through print and digital media platforms.



Coastbeat

Managing Director's Review of Operations

Gowing Bros is now in its 150th year. This is a milestone for the company, and I feel privileged to be only the fourth managing director of our small but vibrant company. This year we have made several significant advances, yet there is still lots of work ahead of us to take full advantage of all our opportunities.



Key Developments

During the half we refinanced all our individual property loans with the Commonwealth Bank. We negotiated a new 5-year facility with 70% of the $86 million underlying loan hedged at a fixed rate. The facility also provides us with a $30 million rotating working capital facility. This working capital facility will allow us to undertake the proposed development works at Sawtell Commons and Harbour Drive Solitary 30 sites. Another key aspect of the new facility is that it allows us to move all our shopping centres into individual trusts and out of the existing company ownership structure. This will provide more flexibility in the future, in the event of introducing capital partners or undertaking corporate reorganisations, to potentially streamline shopping centre cash flow to shareholders.

During the half, Gowings was granted a wholesale Australian Financial Services License. This License will allow Gowings to leverage our proven track record of managing investments without diluting existing investors. Neil Rogan was appointed during the half to lead this exciting new initiative. We are considering establishing several new wholesale funds, focusing in fields in which we believe we have an established advantage or an opportunity.

The Pacific Coast Shopping Centres

At Coffs Harbour the re-development of Coffs Central is nearing completion, Kmart has opened and is trading strongly. BCU has taken a lease over three quarters of the newly built commercial office space for its new head office, and half of the new ground floor retail space. We welcome them to Coffs Central. We are working on leasing up the balance of the new retail space with the optimal mix of new retailers. This leasing campaign which will take 18 to 24 months, should generate an additional $1.4 - $1.6 million in speciality annual retail income.

At Moonee Beach the leasing campaign started 2 years ago is drawing to a close with the centre almost fully leased. Moonee is likely to be a major beneficiary of the planned Coffs Harbour bypass as it's the only shopping centre adjacent to the proposed new highway between Sydney and Brisbane.

At Kempsey, a builder (O'Donnell and Hanlon) has been contracted to build a new four screen Cinema on top of our shopping centre. This development is being supported by Gowings, Kempsey Shire Council, the Federal Government and Majestic Cinemas. On expected completion in September 2019, the cinema should provide a much-needed entertainment and cultural hub for Kempsey residents and the many tourists to the Macleay Valley and beaches.

At Port Macquarie we have lodged a DA to build new shops and 150 carparks on the block of land adjoining our shopping centre. This is to satisfy one of the pre-conditions for exercising our option with Port Macquarie Council over that land. During the half, Target exercised its option to remain in the centre for a further 5 years. We continue to have constructive discussions with Woolworths about joining us in the centre.

Sawtell Commons

A significant amount of work has gone into progressing the planning approvals for our approved residential subdivision adjacent to Lyons Rd Sawtell, "Sawtell Commons". We are hopeful of receiving a construction certificate for the first 8 blocks in the next few weeks. This will allow us to start building display homes to showcase the proposed 220-lot subdivision. Sawtell Commons, is the last greenfield site available for residential blocks east of the Pacific Highway on the southern side of Coffs Harbour. We are planning to start pre-sales for Sawtell Commons in the near future and have already received over 30 expressions of interest from potential buyers. Revenue from these sales, once civil works are complete, and the contracts are finalised, should provide a strong boost to underlying profit over the next 3 years.
This is of course subject to regulatory risk and continuing favourable market conditions.

Our investments in the Coffs Harbour region should all be beneficiaries of the $1.2 billion Coffs harbour bypass project and the $156 million upgrade of Coffs Harbour Hospital.

Overview of Current Year Financial Performance and Outlook

The results for the year were impacted by the development works at Coffs Central, as existing retailers were given rental abatements to compensate them for the disruption during the construction process and capital that had previously being earning income by way of interest and dividends was deployed into: the Coffs redevelopment; Lyons Rd, "Sawtell Commons"; the Harbour Drive mixed-use development site and Surf Hardware International. A material improvement in recurring earning is expected over the coming few years as these investments begin to generate positive income.

Final Dividend

The board has declared a fully franked final dividend of 6 cents per share. We are reintroducing the DRP to help preserve capital. There is more detail on the above and our other investments in the accompanying commentary.

J. E. Gowing
Director
Sydney

Key Highlights

Profit after tax for the Year

$5.5m

$23.2 million in 2017

Final Fully Franked Dividends

6.0¢

6.0 cents in 2017

Total Shareholder Return

+4.7%

Net asset increase per share plus dividends

Total Net Assets

$216.0m

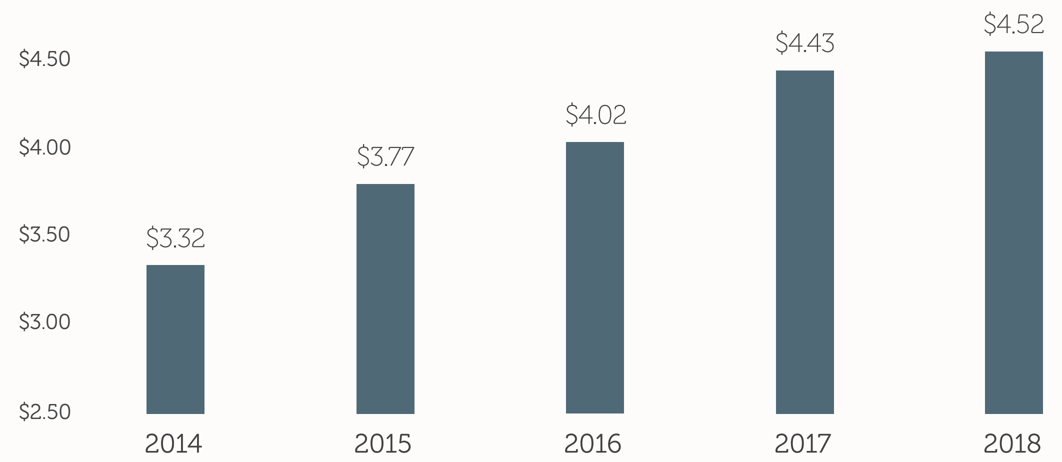
$214.0 million in 2017

Managing Director's Review of Operations

On behalf of the Board of Directors, I am pleased to comment on the results for the year ended 31 July 2018.

Financial Review

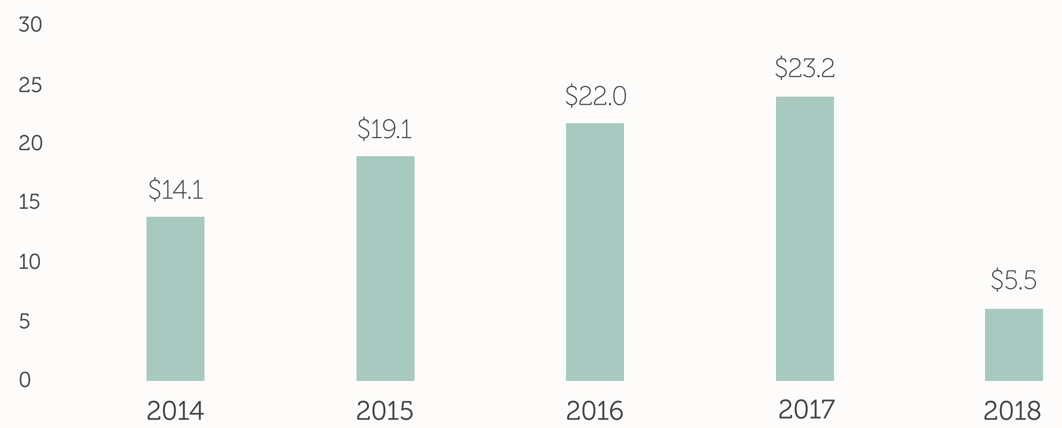
Net Assets per Share



Net assets per share before tax on unrealised gains on equity, investment property, and freehold property increased 2.0% to $4.52 as at 31 July 2018 after the payment of 12c in dividends. Total Shareholder Return was 4.7% including the growth in net assets per share plus dividends paid to Shareholders.

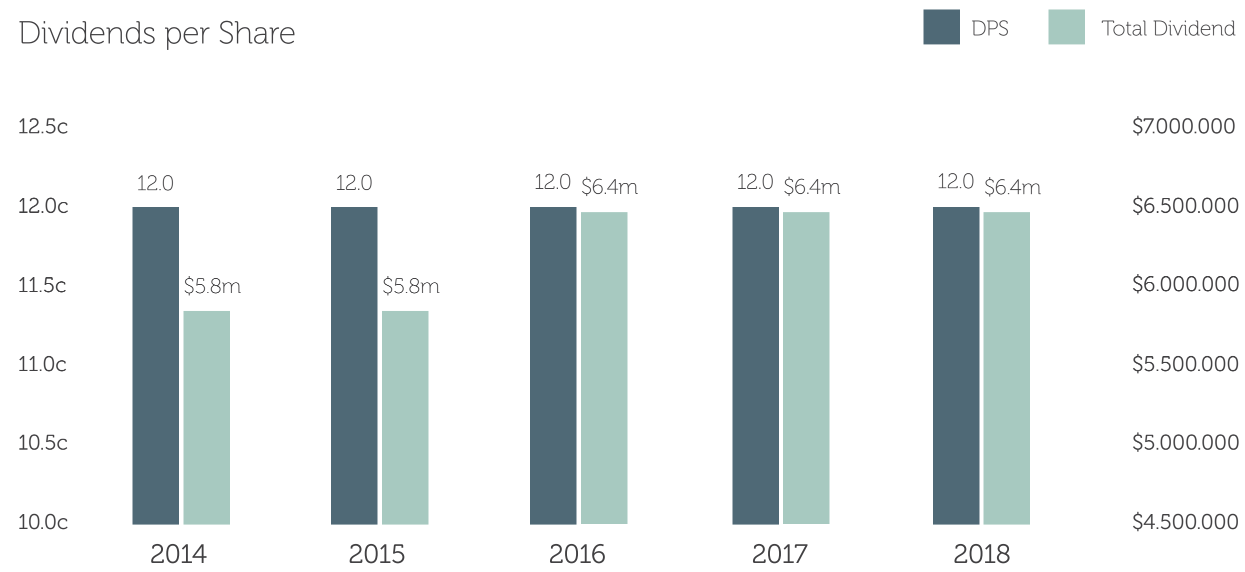
Net assets per share have grown steadiy over the past 5 years driven by the continued growth in our Pacific Coast Shopping Centre portfolio as well as solid returns achieved in the Equity portfolio.

Net Profit After Tax ($million)



Net Profit After Tax for the year ended 31 July 2018 includes underlying income from ordinary activities such as rent, interest and dividends. This year's profit was impacted by, the rental abatements provided to retailers during the Coffs Central development, capital that had previously being earning income by way of interest and dividends was deployed into capital works, and the uplift in the current year due to revaluation of the Pacific Coast Shopping Centre Portfolio which was substantially lower than the revaluation uplift in the prior year.

Dividends per Share



The Company paid a total of 12c in fully franked dividends for the 2018 year. The directors have reinstated the dividend reinvestment plan for the final declared dividend to be paid on 13 November 2018.

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

Key Metrics

For the year ended	31 July 2018	31 July 2017	31 July 2016	31 July 2015	31 July 2014
Net Assets	$216.0m	$214.0m	$198.6m	$186.8m	$170.2m
Net Assets per Share[2]					
- Before tax on unrealised gains[1]	$4.52	$4.43	$4.02	$3.77	$3.34
- After tax on unrealised gains[1]	$4.03	$3.99	$3.70	$3.47	$3.16
Net profit after tax	$5.5m	$23.2m	$22.0m	$19.1m	$14.1m
Earnings per Share	10.15c	43.29c	40.92c	35.48c	26.10c
Dividends per Share	12.0c	12.0c	12.0c	12.0c	12.0c
Total Shareholder Return	4.7%	13.2%	9.8%	16.3%	15.2%

[1]Unrealised gains on equity, investment property and freehold property.

[2]Net assets per share as at 31 July 2015 and 31 July 2014 have been restated for comparative purposes to reflect the 1 for 10 bonuss issue during the 31 July 2016 financial year. Dividends per share have not been adjusted.

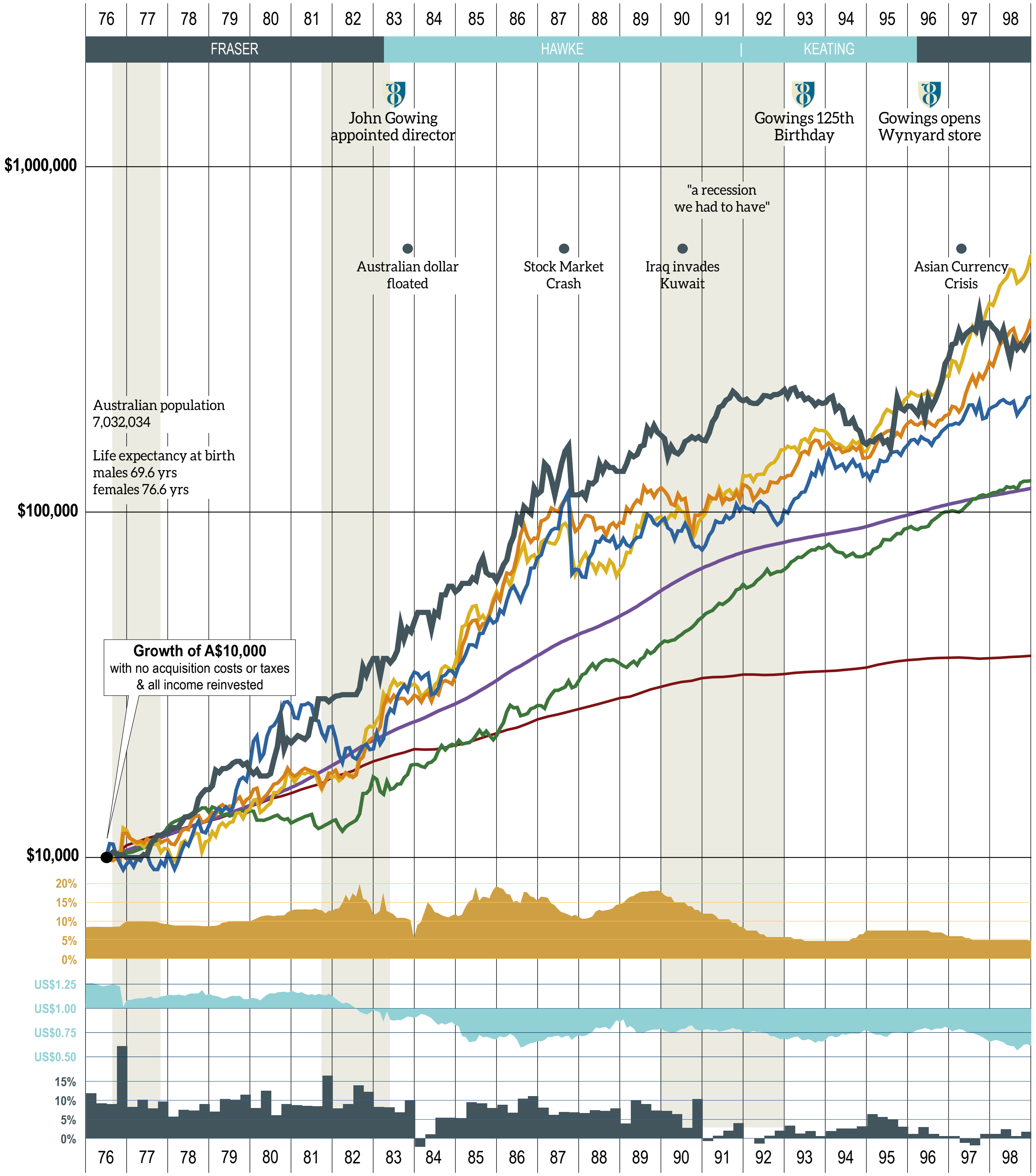
Shareholder Returns

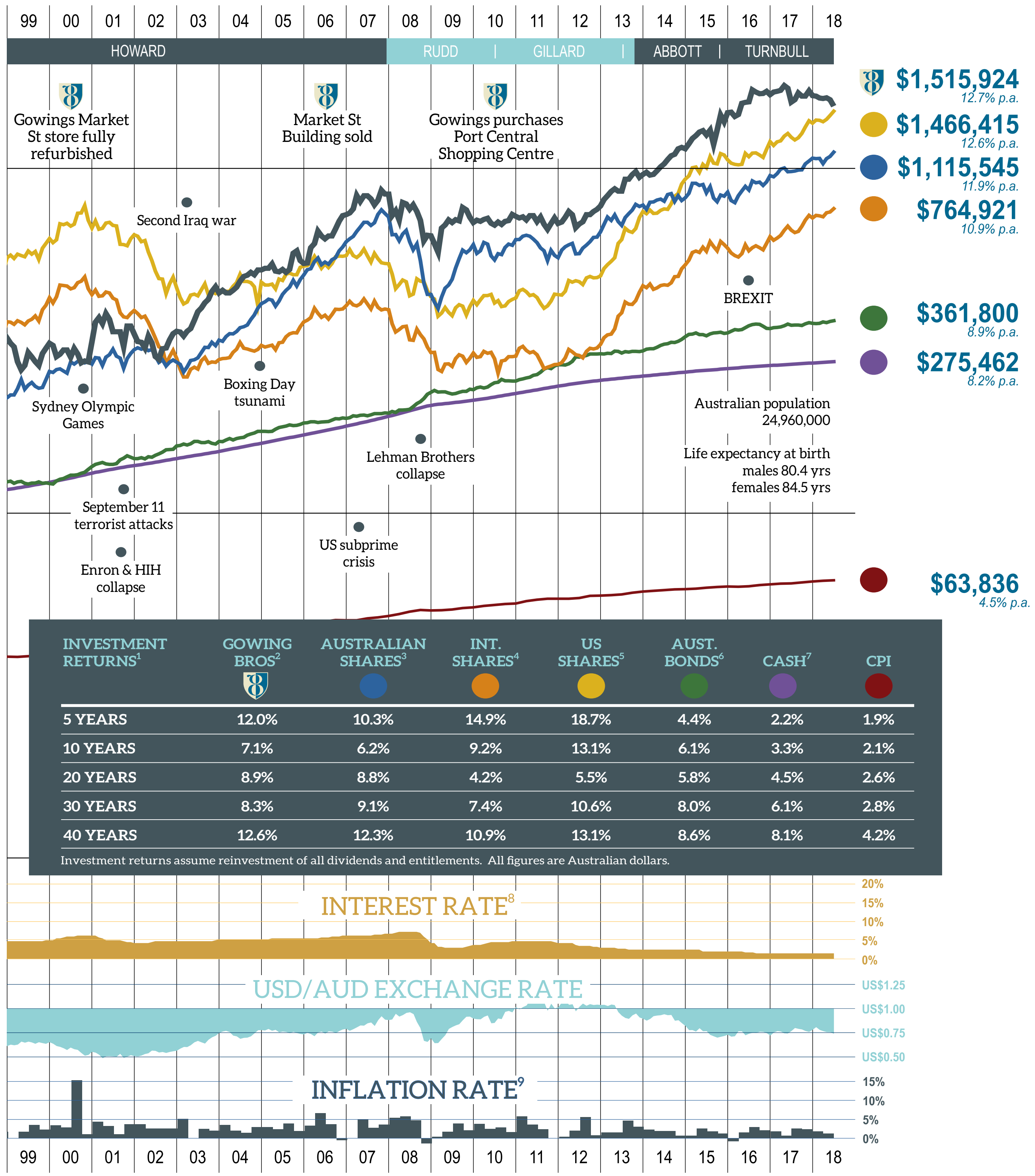
The graph on the following page is compiled by Bloomberg and Andex Charts illustrating the growth in value of Gowings as an investment (share price and dividends reinvested) over 40 years in relation to other investments. An investment of $10,000 in Gowings in 1976 would be worth $1,515,924 in 2018.

A Strong Investment Over Time

"Investing Together for a Secure Future"

- John Gowing -





INVESTMENT RETURNS[1]	GOWING BROS[2]	AUSTRALIAN SHARES[3]	INT. SHARES[4]	US SHARES[5]	AUST. BONDS[6]	CASH[7]	CPI
5 YEARS	12.0%	10.3%	14.9%	18.7%	4.4%	2.2%	1.9%
10 YEARS	7.1%	6.2%	9.2%	13.1%	6.1%	3.3%	2.1%
20 YEARS	8.9%	8.8%	4.2%	5.5%	5.8%	4.5%	2.6%
30 YEARS	8.3%	9.1%	7.4%	10.6%	8.0%	6.1%	2.8%
40 YEARS	12.6%	12.3%	10.9%	13.1%	8.6%	8.1%	4.2%

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

Sources: Australian Bureau of Statistics, ASX Limited, Bloomberg Finance L.P., Commonwealth Bank of Australia, Melbourne Institute of Applied Economic and Social Research, MSCI Inc., Reserve Bank of Australia, Standard & Poors, Thomson Reuters.

Notes: 1. One year returns are total returns from 30 June 2017, to 30 June 2018. Five, Ten, Twenty, Thirty and Forty-year returns are per annum returns to 30 June 2018. 2. Gowing Brothers Total Return data calculated by Bloomberg. 3. Index prior to January 1980 is the MSCI Australia Gross Total Return Index. From January 1980 the index is the Standard & Poors ASX All Ordinaries Accumulation Index. 4. MSCI World ex-Australia Gross Total Return Index. 5. S&P500 Total Return Index in AUD. 6. Data used in the construction of the index prior to January 1977 provided by the Reserve Bank of Australia. From January 1977 the index is the Commonwealth Bank All Series Greater than 10 Years Bond Accumulation Index. 7. Data used in the construction of the index prior to March 1987 provided by the Reserve Bank of Australia. From March 1987 the index is the Bloomberg AusBond Bank Bill Index. 8. Interest Rate prior to July 1981 is a short-term Government Bond rate. From July 1981 the interest rate is the Reserve Bank of Australia's Official Cash Rate. 9. Annualised rate of inflation.

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

Managing Director's Review of Operations

Profit and Loss Statement

For the year ended	31 July 2018 $'000	31 July 2017 $'000
Net Income from Ordinary Activities		
Interest income	219	672
Investment properties	8,119	8,810
Equities	618	1,173
Managed Private Equities	449	173
Surf Hardware International	821	802
Total Net Income from Ordinary Activities	**10,226**	**11,630**
Head Office Expenses		
Administration, public company and other	3,686	4,038
Operational Profit	**6,540**	**7,592**
Gains / (losses) on sale or revaluation		
Investment properties – unrealised gains	5,600	23,302
Investment properties – realised gains	(11)	-
Equity – realised gains	-	5,696
Equity – unrealised impairment	(1,546)	(518)
Managed private equity	(148)	(318)
Derivatives	(418)	367
SHI Subsidiary Acquisition		
Acquisition Costs	(55)	(473)
SHI - Consolidation acquisition cost of sales adjustment	(512)	(2,578)
Other		
Consulting Costs	(438)	(120)
Borrowings Break Costs	(1,790)	-
Other Costs	(72)	-
Other Income	28	(26)
Profit Before Tax	**7,178**	**32,924**
Income tax expense	(1,725)	(9,684)
Profit After Tax	5,453	23,240

Commentry

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

Total Net Income from Ordinary Activities of $10.2 million was 12% lower than the prior corresponding period and relates mainly to the reduction in investment property income due to abatements provided during construction and redevelopment of the centres. There was also a reduction in interest and dividend income earned due to lower cash and share portfolio balances.

Total Head Office Expenses of $3.7 million were 9% lower than the prior corresponding period and were largely due to a reduction in employee expenses and travel costs.

Investment properties – unrealised gains of $5.6 million for the current year was substantially lower than the prior year of $23.3 million. The current year increase related to the revaluation of the Coffs Central shopping centre during the year after the successful redevelopment of the centre and a better than expected start to trading for the new full line Kmart store.

Equity – unrealised impairment of $1.5 million relates to the write down of the investment in TPI Enterprises Limited.

SHI – consolidation acquisition cost of sales adjustment – GBL acquired Surf Hardware International on 16 December 2016 and as a result of Australian Accounting Standards was required to record SHI inventory at fair value as at the date of acquisition. This represented an uplift of $3.1 million to the carrying value of inventory compared to cost. Of this $3.1 million uplift, $0.5 million has been recorded as cost of sales as at 31 July 2018 compared to the $2.6 million in the prior year. The uplift amount has now been totally released through cost of sales and will not appear in future periods.

Borrowings Break Costs of $1.8 million were incurred with the consolidation of the groups financing facilities into a single $116 million facility on the 18 July 2018 and relate to costs incurred in order to exit the previous interest rate swap and financing facilities.

Other Consulting Costs of $0.4 million mainly due to consulting costs associated with the sales campaign for Port Central at the start of the financial year.

Profit After Tax was $5.5 million, compared to $23.2m on the prior corresponding period.

Managing Director's Review of Operations

Gowings at a Glance

	31 July 2018 $'000	31 July 2017 $'000
Strategic Equity Investments		
Surf Hardware International (at cost)	16,000	16,000
Boundary Bend Limited	14,834	13,961
Carlton Investments	5,648	5,521
Hydration Pharmaceuticals	2,665	2,003
Murray Darling Food Company	2,319	2,045
DiCE Molecules	2,237	1,230
Event Hospitality Group	1,654	1,578
BBBSA Finance	1,400	-
TPI Enterprises Limited	1,363	2,801
Hexima	749	749
Blackfynn	403	-
EFTsure	333	250
Power Pollen Accelerated Ag Technologies	260	-
Other listed investments	4,318	3,831
Total	54,183	49,969
Private Equity Funds		
Five V Capital	1,242	300
OurCrowd Australia	1,141	1,092
Our Innovation Fund	750	750
Macquarie Wholesale Co Investment Fund	-	884
Other Private Equity Funds	316	275
Total	3,449	3,301
Pacific Coast Shopping Centre Portfolio		
Sub-regional shopping centres	199,861	173,280
Neighbourhood shopping centres	48,800	45,300
Borrowings	(89,745)	(56,023)
Total	158,916	162,557
Other Direct Properties		
Sawtell Commons - residential subdivision	11,500	9,044
Harbour Drive Solitary 30 Site	3,200	3,190
Other properties	16,850	16,366
Borrowings	(1,600)	(1,675)
Total	29,950	26,925
Cash and Other		
Cash	4,065	4,435
Investment lending facility	-	3,000
Tax liabilities	(6,200)	(7,067)
Surf Hardware International consolidation impact[1]	(991)	(1,581)
Fair value impact of Sawtell Commons – residential subdivision[2]	(2,118)	-
Other assets & liabilities	1,410	(3,621)
Total	(3,834)	(4,834)
Net assets before tax on unrealised gains on equities and investment properties	242,664	237,918
Provision for tax on unrealised gains on equities, investment and direct properties	(26,699)	(23,942)
Net assets after tax on unrealised gains on equities and investment properties	215,965	213,976

[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 Director's Review of Operations

Pacific Coast Shopping Centre Portfolio

Coffs Central



During the period, Gowings neared completion on the $35 million development of Coffs Central which included the extension of the centre to the adjoining site on the corners of Harbour Drive, Gordon and Vernon Streets. The new extension includes one floor of underground parking, ground and first floor retail, second floor parking and third and fourth floor commercial office space. 75% of the new commercial office space has been leased to BCU as an anchor tenant, which also has 50% of the new ground floor retail space.

The building extension also included a reconfiguration of the first floor for a new full line Kmart which commenced trading in March and an additional 20 specialty stores.

Provision has been made on the new building to allow for an additional DA-approved hotel with 5 floors of rooms and rooftop dining. We continue to evaluate the economics of this development which would be a great addition for Coffs Harbour.

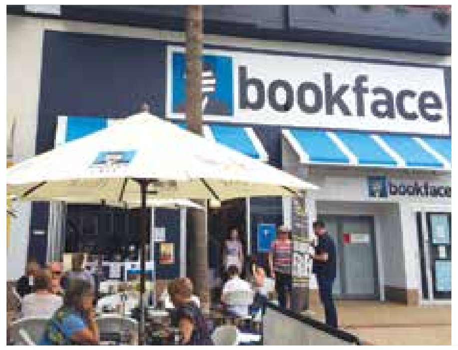
Moonee Market



The multi-million dollar upgrade of Moonee Marketplace continued during the period, including an all-weather roof, establishing a food court area, installing new flooring throughout and upgrading the amenities. The upgrade has meant that Gowings has successfully attracted new tenants and the centre is now effectively leased. New centre retailers include Russell's Prime Meats, Moonee Dental and Facial, La La Land indoor play centre, Kinetic Martial Arts, Sugarmill cafe, Lighthouse Health and Education and Moon Dragon restaurant. Improved centre occupancy has resulted in positive cashflow with an associated significant appreciation in the underlying value of the centre. The newly funded Coffs Harbour bypass means that Moonee Marketplace is well placed to capture increased trade as it will be the first shopping stop available to people travelling North, after bypassing Coffs Harbour.

Gowings is also exploring development opportunities for the adjoining vacant lot of 9,000sqm including retirement living, service station and mixed-use options.

Port Central

Port Central continues to be a core asset that performs solidly within the Pacific Coast Shopping Centre portfolio. With the Port Macquarie Hastings region expected to grow 26% by 2036, the centre is well placed and tenanted to capitalise on this forecasted economic growth.

During the period Gowings lodged a DA for a building on the adjoining block of land, currently owned by Port Macquarie Hastings Council. Gowings has a conditional purchase option over this land. One of the conditions is to submit and have a DA for a new building with 150 additional car parks approved. This DA will be considered by council and referred to the Joint Regional Planning Authority. We continue to hold constructive discussions with Woolworths about joining us at Port Central.

Kempsey Central


Work has now commenced on the new cinema complex on top of Kempsey Central. The cinema project is an arrangement between Gowings, Kempsey Council and the Federal Government with Majestic Cinemas being appointed as the cinema operator. The cinema will be completed in the final quarter of 2019. The centre will continue to operate during the construction phase with as little as possible disruption to our retailers. The cinema will drive increased foot traffic and sales by attracting the local and tourist population into the centre.

Managing Director's Review of Operations

Strategic Equity Investments

Surf Hardware International ($16 million)

We experienced another strong result from our European region in FY18 who continued their recent growth trajectory. Our Japanese business also grew their sales during the period and we successfully re-organised our USA business, hiring two new senior management staff, along with new sales representatives in the all-important Hawaiian and Californian territories.

Following on from these changes, the USA business performed well in the last quarter of the year and is now well positioned to grow in FY19.

The Australasian business saw improved results in the back half of the year and manufacturing sales to Asia were up on the prior year.

FY18 saw the launch of the FCS Freedom Leash, a new product innovation which drove considerable growth in this important category and created momentum around the FCS brand. Looking ahead to FY19, an extension of the product line and additional manufacturing capacity should support further growth in the FCS leash category.

Our Softech Softboard business also experienced strong growth in FY18 and the brand continues to grow supported by new products, the addition of key brand ambassadors and a shift toward soft surfboards for the beginner and intermediate surf markets.

The advent of wave pools and an increasing number of surf schools targeting the growing number of consumers wanting to try surfing for the first time should support further growth in all our businesses.

SHI's portfolio expanded during the period following the acquisition of the Kanulock brand, a market leader in the premium lockable roof rack tie-down category.

This acquisition is part of a broader strategy to expand the business beyond the current surf specialty channel and into the fast growing Outdoor & Adventure markets.

Opportunities for future growth exist via international expansion, extension of existing product lines and further channel development.

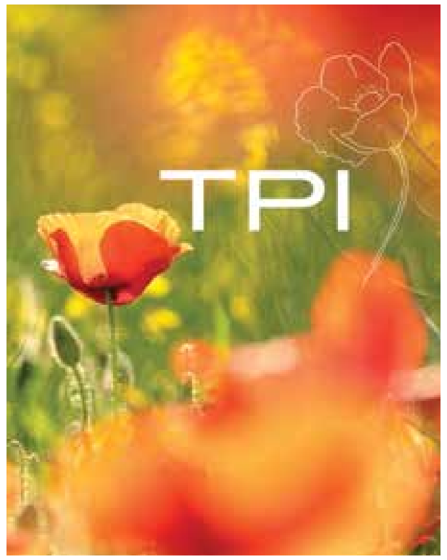
In FY19 we are planning growth across all regions with a specific focus on the USA and Australia.

Key focus areas will include leveraging our new product initiatives, including the new FCS board bag, bag & packs and travel accessory categories, continuing the growth in our softboard business and managing the successful integration of the Kanulock brand into the SHI business.

At 2018 year end we had upgraded our online direct-to-consumer websites to the Shopify platform. This should enhance the online customer experience and allow SHI to build meaningful online sales globally.

Michael Heath, General Manger of SHI

TPI Enterprises Limited ($1.4 million)



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

TPI's stock performance has been poor over the last half following an earnings downgrade due to limited imported Poppy Straw supply in 2H 2017, unfavourable foreign exchange rates and softer than expected sales into the UK.

However, 2018 is looking to be a favourable year as TPI expects to generate $50 million in revenue and come closer to breakeven. The Norwegian acquisition of Vistin was an important strategic step for TPI as it has allowed for vertical integration through the supply chain and the immediate ability to add value to the narcotic raw material produced in Australia into a final tablet form in Norway. By expanding down the supply chain TPI has potential to significantly increase margin and broaden its customer universe from a small number of raw material customers to a wide range of end use customers.

During the period Peter Robinson stepped down as chairman being replaced by Simon Moore, ex-managing director and global partner at The Carlyle Group.

Murray Darling Food Company ($2.3 million)

FY18 saw Murray Darling Food Company (MDFC) enter its first full year of operations. The year started strongly with the purchase of "Packwood" an 840-acre property in Condobolin NSW. This property complements the existing Burrawang West Station "BWS" (Ootha NSW) and Bombah (Tottenham NSW) properties. Overall MDFC now has 18,268 acres of farmland over its three properties. Packwood is a strategic acquisition as not only does it provide the ability to carry more stock, but it also comes with water licences, access to a good supply of artesian water and also a prime Lucerne growing paddock on the river.

During the first part of the year the team at MDFC were busy clearing remnant vegetation land and fencing to create new grazing paddocks on BWS and Bombah. This development activity helped add $1.0 million to the carrying value of the land which was supported by external valuations. From a trading perspective the October ram sale was another success setting industry benchmark prices. However, in the second half of the year, like all central NSW farmers, MDFC was impacted by the tough drought conditions. MDFC had to resort to purchasing fodder from external sources which had not been planned at the start of the year. To combat the dry conditions the board of MDFC approved the significant investment into 4 new centre pivot irrigation systems which were installed in July 2018, three deployed to BWS and the remaining one to Packwood. This will mean that even in the dry conditions substantial amounts of fodder will still be able to be produced on the land. Also, during the second half a number of the older commercial ewes were culled to reduce the overall flock size to reduce running costs. At 30 June 2018 MDFC was running 3,290 commercial ewes, with 2,084 stud ewes, and 673 stud rams. Even given the difficult conditions in the second half of the year MDFC was still able to record a profit, a considerable effort considering the drought.

The price for lamb has remained relatively strong due to the low levels of supply but this has been offset by the cost required to breed the lamb. The board of MDFC believes that the installation of the new irrigation pivots will see the company through this difficult period, allowing it to maintain stock levels to capitalise on when conditions improve and the industry returns to normal conditions.

Managing Director’s Review of Operations

Strategic Equity Investments continued

Boundary Bend Limited ($14.8 million)

Boundary Bend is both Australia’s and one of the world’s leading producers of premium extra virgin olive oil and Australia’s largest olive farmer. Boundary Bend produces Australia’s two top selling home grown extra virgin olive oil brands, Cobram Estate and Red Island, whose sales have grown by 27% over the last 4 years. It owns 2.3 million producing trees on over 6,575 hectares of pristine Australian farmland located in the Murray Valley region of north-west Victoria. The underlying value of this olive producing land has appreciated strongly over the last few years. In addition to growing and pressing olives and producing olive oil, Boundary Bend operates a bottling, storage and laboratory facility near Geelong. Boundary Bend has expanded into the USA with groves, an olive mill, bottling facilities, laboratory and administrative offices in Woodland, California.

With a growing demand for high quality agricultural and horticultural produce from the emerging Asian middle class, Gowings believes Boundary Bend is well positioned for strong growth in Australia, Asia and the USA.

Powerpollen ($0.3 million)

During the period Gowings made an investment into PowerPollen, an early stage Agricultural Bio Tech company based in Iowa, USA, that is working on an advanced yield enhancement technology that enables higher productivity in seed and grain production. PowerPollen has created a paradigm shift in agriculture by revolutionizing how plants reproduce, providing unprecedented control of pollination that simplifies corn seed production while enabling hybrid production and higher profits in current low profit crops like wheat. This breakthrough may increase farmer profits and global food supplies that are necessary to feed the growing global population.

Since Gowings’ recent investment, PowerPollen has negotiated an additional investment from two major partners and users of its technology. This was an up-round, resulting in a 10% increase in Gowings investment over this short period. PowerPollen won the Technology Association of Iowa AgTech company of the year award for 2018.

Hexima ($0.7 million)

Hexima is a biotechnology company actively engaged in the research and development of plant-derived proteins and peptides for applications in human therapeutics and for the genetic modification of crops. Hexima conducts most of its research under contract with La Trobe University and has five main areas of interest: plant fungal disease, insect resistance, human antifungal, non-melanoma skin cancer, and multi-gene expression vehicle.

Hexima has been focusing on its flagship research (HXP124) which presents the most likely source of increased shareholder value in the short to medium term. HXP124, is designed to treat fungal nail infections and has secured patents across USA, Japan, China, Mexico and Europe. HXP124 kills nail fungi much better than current treatments and looks to address a market that is expected to grow to US$4.7b by 2021. During the period, Hexima has obtained Human Research Ethics Committee approval to conduct a clinical trial of HXP124 in patients with fungal nail infections.

Hydration Pharmaceuticals ($2.7 million)

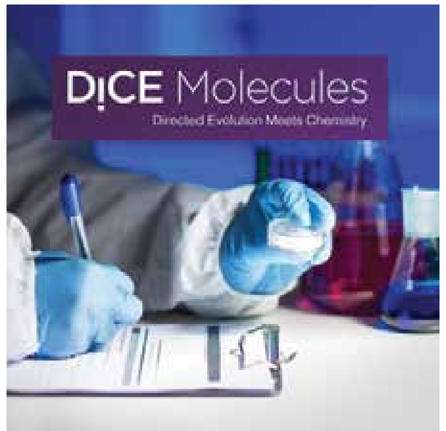
Hydralyte markets great-tasting clinical hydration products scientifically formulated to contain the correct balance of glucose and electrolytes for rapid rehydration. Hydralyte products have up to 75% less sugar and four times the electrolytes compared to leading sports drinks and are based on the World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

Hydralyte’s Canadian business continues to deliver strong year on year growth but uptake in the United States of America has been slower than expected. Hydralyte anticipates that increased investment in healthcare professional education, and a rollout in the regional grocery channel, will lead to a model of success that could be extended to national retailers in the USA. In addition, Hydralyte is driving ecommerce sales in the United States and continues to evaluate other global markets

Blackfynn ($0.4 million)

During the period Gowing Bros made an investment in Blackfynn, a Philadelphia based early stage company that is accelerating new treatments for neurological disease. Blackfynn aims to create better therapeutics through data and treat neurological diseases like Epilepsy, Parkinson’s disease and Alzheimer’s. Their solutions cover closed loop implanted devices for personalised therapy, analysing real-time patient data to improve clinical outcomes, lower cost, and facilitating the discovery of biomarkers and targets for drug development.

DiCE Molecules ($2.2 million)



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

DiCE’s technology has been industrialised and is now producing valuable drug development candidates. During the period DiCE triggered its first significant collaboration milestone, and they expect to earn milestone payments in excess of $US10 million by the end of 2019.

DiCE has recently completed a further financing round at a step up in valuation, led by biotech-focused venture capital investors and we expect these domain-expert investors to bring valuable knowledge and network connections to DiCE’s quickly expanding business.

Carlton Investments ($5.6 million) and Event Hospitality Group ($1.7 million)

Carlton Investments Limited is an investment company listed on the ASX. Incorporated in 1928, Carlton’s principal activities are the acquisition and long term holding of shares and units in entities listed on the ASX.

The Group has a significant holding in Event Hospitality & Entertainment (EVT) - a group engaged in cinema exhibition in Australia, New Zealand and Germany, hotel management and ownership (Rydges, Atura and QT), operation of the Thredbo Alpine Resort and investment property ownership. Carlton, through its interest in Event has a significant investment in the Australian and New Zealand tourism sector, a growth sector benefiting from Chinese and international tourists looking for safe destinations.

EFTsure ($0.3 million)

EFTsure is an Australian owned IT company incorporated to deliver electronic payment authentication services to its customers. EFTsure has developed a real-time authentication software solution which verifies payee name data with BSB and account numbers to prevent fraud and erroneous transactions by cross checking data prior to release of funds and ensuring authentic payments.

We are pleased to see strong expansion of EFTsure over the period, with key updates including the signing of multiple councils (50% of NSW councils expected to sign on by end 2018) and further engagement with major Australian banks.

We have also been pleased to see the further growth in customers, new product features and the corresponding expansion of all aspects of the service.

BBBSA Finance ($1.4 million)

BBBSA Finance (BBBSA) is a specialist financial services lender offering business loans, valuations and M&A advice and execution services, specifically tailored for financial intermediaries. Clients include mortgage brokerage and 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.

The Group is headquartered in Sydney, Australia. Over the past 7 years BBBSA has launched a diverse range of innovative cash flow backed finance products for the financial service and property industries, particularly for mortgage brokers. This has enabled BBBSA to grow to almost $10 billion dollars of underlying mortgages, real estate rental contracts and financial planning books that underpin its loan book security and which serve as the source of cashflows that support and service its loan book.

In late FY2018, Gowing’s made a strategic investment and assumed a Board seat in BBBSA Finance Pty Ltd – bbbsa.com.au

EST 1868
GOWING BROS.LTD

Growth Rate of Strategic Equity Portfolio

From 1987 To 2018

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

"Performance Proven Over Time"
- John Gowing -

		Returns
1988	Oct 1987 - known as 'Black Monday', the global stock market crashed.	3%
1991	Gowings took advantage of undervalued shares in the stock market and added $2M of shares to its investment portfolio.	13%
1995	Gowings sold off its investment in Lavington Shopping Centre. The sale generated a healthy profit which was sufficient to meet Gowings' capital investment plans over the next few years.	0%
1998	Many stock valuations were considered unsustainable. Subsequent weakness and unprecedented volatility in the Australian and world equity market led Gowings' to realise these investments.	-2%
1999	Gowings began actively reviewing its investments in the wholesale and venture capital markets. First step in this direction was a commitment at wholesale level to Macquarie Direct Investment, a subsidiary of Macquarie Bank.	14%
2000	Gowings gained exceptional returns from its equity investment in Open Telecommunica-tions Ltd, which generated over $4M in profits. Another tech investment, Peg Technology Ltd had a market value of $4.8M, $3M in excess of its original entry price.	7%
2001	The slump of tech stocks, negatively affecting the market value of our investment in PEG Technology Limited to $500K. On a positive note Gowings received its first return from Macquarie Investment Trust IIIB of approximately $476K when the fund successfully took their stake in HPAL Limited to IPO.	1%
2006	Gowings took the opportunity of the weak stock market to increase its holdings in resource & energy stocks, increasing its weighting in the shares portfolio to approximately 25%.	14%
2007	Investments witch increased in market value over the last year includes: BHP Billiton increased 33% to $17.3M; Blackmores increased 73% to $4.7M (7x increase to date); and Woolworths increased 43% to $4.9M (5x increase to date). Top realised gains include: Rural Press (profit of $1.8M); West Australian Newspaper (profit of $1.1M); and Noni B (profit of $1M).	23%
2008	Global Financial Crisis. Shares were realised included a range of write-offs and negative returns, notably the $2.5 million write off of Coolangatta Notes and $1.4 million in Babcock Brown. Top Gains are: Soul Pattinson $3.5 million realised gains, Westpac $2 million, ANZ $1.7 million, Invocare $1.9million, Hills $1.4million, Rio Tinto $1.3 million (83% gain).	-12%
2013	Good returns mainly from revaluation of shares. Boundary Bend doubled in its market value, while the Carlton Investment more than tripled our original purchase price with a market value of $3.9M, 39% increase from last year.	25%
2014	Boundary Bend increased a further 57% during the year to a MV of $6.4M. Carlton Investment up 29% from prior year with market value to $5M, representing a total of 330% increase from cost to date.	20%
2016	$18M realisation of the investment in Blackmores, in excess of $2.9M paid out in dividend over the years. Over 300% appreciation in the market value of Boundary Bend Ltd since acquisition.	20%
2017	Realisation of financial services shares provided a net gain of $3.55M (ANZ $1.25M, Westpac $1M & BT Financial Mgmt $1.3M)	8%
2018	Major movements for the year included increase to the carrying value of DiCE Molecules Holdings LLC by 47% to $2.2M; Hydralyte by 33% to $2.6M; Boundary Bend by 22% to $14.8M; and SEEK Ltd by 25% to $1.5M. These gains however were partially offset against an impairment in the carrying value of TPI Enterprises of $1.5M as the share price fell over 20% during the year.	6%

Managing Director's Review of Operations

Private Equity Funds

OurCrowd Australia ($1.1 million)

OurCrowd is one of the leading global equity crowdfunding platforms for accredited investors. Managed by a team of seasoned investment professionals, OurCrowd vets and selects opportunities, invests its own capital, and brings companies to its accredited membership of global investors. OurCrowd provides post-investment support to its portfolio companies, assigns industry experts as mentors, and takes board seats.

The OurCrowd community of almost 17,000 investors from over 110 countries has reached $1 billion in funds under management with over 110 portfolio companies and funds. Gowings has made a $US0.9 million investment into OurCrowd of which $US0.68 million has been deployed across 21 companies covering healthcare, tech hardware, software, fintech, and mobility, the remaining capital being available for follow on rounds in successful companies. Our best performers to date are Zoomcar, a self-drive car rental company headquartered in Bangalore, with an unrealised return of 41%, and Wave, a financial and accounting software company, which has an unrealised return of 66% to date.

Gowings takes a diversified approach with the philosophy that out of ten investments, two will fail, six will provide an acceptable return, and two will be top performers that drive the portfolio return. Our connection to OurCrowd keeps us informed as to what is happening globally in the early to mid-stage technology space. We are hoping to leverage this with our new funds management strategy and platform.

Our Innovation Fund ($0.8 million)

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

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

OIF has continued to deploy capital over the period with five new investments across the financial year, taking the total portfolio up to nine companies including investments in enterprise software, hardware/devices and financial technology businesses. Performance has been in line with expectations and we are encouraged by the progress the portfolio companies have made.

OIF adds value to portfolio companies helping them to grow and succeed, and the Fund is continuing to look for solid opportunities to deploy further capital. The management of OIF has a close relationship to OurCrowd and also holds an investment in EFT Sure.

Five V Capital ($1.2 million)

Five V Capital has been set up and managed by Adrian MacKenzie and Srdjan Dangubic, experienced Australian private equity and venture capital managers with whom Gowings have enjoyed a long relationship. Gowings have committed $1 million to Five V's Fund II (together with co-investment amounts to date of $0.6 million) which invests in businesses across Australia and New Zealand. The principals of Five V Capital have committed a substantial amount of their own capital to Fund II, driving alignment of interests between the managers and investors.

Over the year Five V has made significant investments into portfolio companies including RateSetter Australia, Education Perfect and The Probe Group. Five V's recent investment in The Probe Group saw the fund run a simultaneous acquisition and combination of two Customer Management Outsourcing businesses run by a market leading management team. The combination has created a market leading business and enabled the delivery of meaningful synergies.

The portfolio is performing well, with a robust and healthy pipeline to deploy the remaining committed capital. During the period we received a return of $0.1 million as part of Fund II interest in Five V's initial Fund I.

Managing Director's Review of Operations

Other Direct Properties | New Ventures - Media & Wealth Management

Sawtell Commons Residential Subdivision

Sawtell Commons, 'between the mountains and the sea' is a DA approved residential sub-division located near Sawtell, 8km South of Coffs Harbour.

Development approval has already been secured for 165 lots and a second application for 220 lots has been submitted to Council for approval. Block sizes range from 450m2 to 850m2, all with North-South or East-West orientation with access to cycleways and pathways connecting natural vegetation areas to creek reserves and parklands.

First stage release and pre-sales are expected to commence in the last quarter of 2018.

Due to strong market demand for residential land in Coffs Harbour, the expression of interest campaign that we ran in Coastbeat magazine has already attracted over 30 enquiries from prospective EOI purchasers that if converted would result in pre-sales of over $10 million.

Harbour Drive Solitary 30 Development Site

Gowings continues to hold and undertake development planning for the 3,000m² development site at the prominent Jetty Village in Coffs Harbour.

The site is considered one of the best development sites in Coffs Harbour and its use is currently being evaluated subject to some potential heritage issues for residential, hotel and mixed use.

1868 Capital Pty Ltd

Gowings, under four generations of the Gowing Family has prospered through 150 years of economic booms and busts, world wars and market crashes. Gowings has been investing for decades and as part of this focus was one of the founding investors in Woolworths. In the 1950's, a significant reallocation of capital was made into listed equities. Since then, the Company's investment portfolio mix has shifted between equities, property, and private equity investments according to the prospective outlook for each one.

'1868 Capital' - Gowings' Australian Financial Services Licensed business - utilises experience in investing for the long term across multiple asset classes and provides these opportunities to investors to co-invest alongside Gowings. 1868 Capital will develop a range of funds for investors based on the following principles:

- The funds are aligned to the core values of Gowings
- Management are experienced in the sector and have invested in the business
- There are barriers to entry in the chosen market
- The business operates in a market niche with defined global growth path
- The operating model of the business is aligned to a number of global trends
- The business is fairly priced
- The Gowings network can add value to the business.

Within each fund, Gowings will be a cornerstone investor and expects to be launching several funds over the next year.

Coastbeat Pty Ltd

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

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

The Board of Directors

Jonathan West

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

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

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

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

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

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

John Gowing

Managing Director
Bachelor of Commerce, CA, CPA
Shareholding: 20,881,150 shares

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

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

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

John Parker

Non-executive Director
Bachelor of Economics
Shareholding: 55,000 shares

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

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

The Board of Directors

Sean Clancy

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

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

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

Associate Directors*

Ellis Gowing

Associate Director
Bachelor of International Business
Shareholding: 55,368

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

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

James Gowing

Associate Director
Bachelor of Business, CA
Shareholding: 61,909

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

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

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

Executive Management

Neil Rogan

Head of Wholesale Funds Management
Bachelor of Arts and a Grad Dip Commerce

Neil Rogan was appointed as Head of Wholesale Funds Management for Gowings (1868 Capital) on 30 April 2018. Neil will be responsible for the development and growth of 1868 Capital, Gowings Funds Management Business as well as managing key strategic projects.

Neil has more than 25 years in the financial services industry having most recently been the General Manager Investment Bond Division Centuria Life, prior to this Neil held several senior roles at AMP Ltd including; Head of Marketing Campaigns, Head of Product Marketing and leading the changes for the introduction of MySuper in 2013.

Throughout 2014, Neil was a NSW Council Member of the Australian Marketing Institute and has chaired several Financial Services Council (FSC) sub-committees including the judging panel for the FSC/Deloitte Future Leaders Award.

Robert Ambrogio

Chief Financial Officer
Bachelor of Economics, CA

Robert was appointed as Chief Financial Officer on 1 February 2017 and has over 20 years' experience in managing and leading finance teams across advertising, marketing and social services sectors. Robert's experience comes from his past employment with Arthur Andersen, XM Holdings, Creative Activation, and MTC Australia.

Robert is a Member of the Institute of Chartered Accountants in Australia and New Zealand.

Belinda Flatters

General Counsel and Company Secretary
Dip Law SAB, FGIA FCIS

Belinda was appointed Company Secretary of Gowing Bros. Limited on 13 March 2017. Belinda joins Gowings after a 19 year career as an in-house corporate counsel, 15 years of which she held the dual roles of company secretary and in-house counsel for a number of different listed entities. Belinda's experience comes from previous roles held with CBHS Health Fund, Pan Pacific Petroleum, Worley Parsons, Novus Petroleum and Customers Limited.

Belinda was admitted as a solicitor of the Supreme Court of New South Wales in 1998, she was awarded the Graduate Diploma of Corporate Governance in 2005 and was admitted as a Fellow of the Governance Institute of Australia in 2011.

Directors' Report

Your Directors are pleased to present their report on the Company for the year ended 31 July 2018.

Results

For the year ended	31 July 2018 $'000	31 July 2017 $'000
Operating profit for the year before income tax	7,178	32,924
Income tax expense	(1,725)	(9,684)
Net profit after income tax	5,453	23,240
Net profit attributable to members of Gowing Bros. Limited	5,453	23,242

Dividends

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

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

$3,220,816
A final fully franked LIC dividend of 6.0c per share was paid to shareholders on 26 October 2017

$3,220,816
An interim fully franked LIC dividend of 6.0c per share was paid to shareholders on 27 April 2017

Review of Operations

The operations of the Company are reviewed in the Managing Director's 'Review of Operations' on page 10.

Environment

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

Principal Activities

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

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments and Expected Results of Operations

Further information on likely developments in the operations of the Company is included in the Managing Director's 'Review of Operations' on page 10.

Directors' Interests

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

		Shares
Professor J. West Non-Executive Chairman	BA (Syd), PHD (Harvard) Director since April 2016 Member of the Audit Committee Professor West is a former Associate Professor in the Graduate School of Business at Harvard University and is an experienced global businessman No other directorships held in listed companies over the past 3 years	477,581
J. E. Gowing Managing Director	Executive Director Bachelor of Commerce Member of Chartered Accountants Australia and New Zealand Member of CPA Australia Member of the Remuneration Committee Director since 1983 No other directorships held in listed companies over the past 3 years	20,881,150
J. G. Parker Non-Executive Director	Bachelor of Economics Director since 2002 Chairman of the Audit Committee Mr. Parker is a coach of senior executives, with over three decades as an investment professional. No other directorships held in listed companies over the past 3 years	55,000
S. J. Clancy Non-Executive Director	Diploma of Marketing Director since April 2016 Chairman of the Remuneration Committee Member of the Audit Committee Mr Clancy is an experienced businessman with a focus on sales and marketing and is presently a director of Mortgage Choice Limited, Metropolis Pty Ltd, Transfusion Pty Ltd and Touch To Buy Pty Ltd.	5,000
Neil Rogan General Manager	Bachelor of Arts and a Grad Dip Commerce Mr Rogan was appointed on 30 April 2018 as the Head of Wholesale Funds Management and has more than 25 years experience in the financial services industry. Mr Rogan's experience comes from his previous roles as General Manager Investment Bond Division Centuria Life, prior to this Neil held several senior roles at AMP Ltd.	–
Robert Ambrogio Chief Financial Officer	Bachelor of Economics, CA Mr Ambrogio was appointed as Chief Financial Officer on 1 February 2017 and has over 20 years' experience in managing and leading finance teams across advertising, marketing and social services sectors. Mr Ambrogio's experience comes from his past employment with Arthur Andersen, XM Holdings, Creative Activation, and MTC Australia.	–

Meetings of Directors

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

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Meetings eligible to attend	Attended	Meetings eligible to attend	Attended	Meetings eligible to attend	Attended
Prof J. West	8	8	3	3	-	-
J. E. Gowing	8	7	-	-	1	1
J. G. Parker	8	8	3	3	-	-
S. J. Clancy	8	8	3	3	1	1

Remuneration Report

The Company's remuneration report, which forms a part of the Directors' Report, is on pages 36 to 38.

Corporate Governance

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 79.

Shares Under Option

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

Indemnification and Insurance of Directors and Officers

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

Non-Audit Services

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

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

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

Proceedings on Behalf of the Company

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

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

Audit and Non-Audit Fees

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

	2018 $	2017 $
Audit services		
Audit and review of financial reports and other audit work under the Corporations Act 2001	167,500	162,000
Taxation services		
Tax compliance services, including review of Company income tax returns	79,500	68,000

Rounding of Amounts

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

Environmental Regulation

No significant environmental regulations apply to the Company.

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

Professor J. West
Director
Sydney
11 October 2018

J. E. Gowing
Director
Sydney
11 October 2018

Remuneration Report

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

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

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

Principles used to Determine the Nature and Amount of Remuneration

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

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

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

Non-Executive Directors

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

Persons who were Non-executive Directors of the Company for all or part of the financial year ended 31 July 2018 were:

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

Directors' Fees

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

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

Executives

Executives are officers of the Company who are involved in, concerned with, take part in and are able to influence decisions in the management of the affairs of the Company. Persons who were executives for all or part of the financial year ended 31 July 2018 were:

- J. E. Gowing, Managing Director
- G. J. Grundy, General Manager (ceased 5 January 2018) and Company Secretary (resigned 20 July 2018)
- R. Ambrogio, Chief Financial Officer
- N. Rogan, Head of Wholesale Funds Management (appointed 30 April 2018)

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

The incentive element is awarded at the discretion of the Remuneration Committee and approved by the Board on the basis of recommendations from the Managing Director.
The Managing Director's incentive element is awarded at the discretion of the Remuneration Committee and approved by the Board. In determining the amount (if any) of bonus payments or of options or shares issued, consideration is given to an executive's effort and contribution to both the current year performance and the long term performance of the Company, the scope of the executive's responsibility within the Company, the scale and complexity of investments required to be managed, the degree of active management required and the degree of skill exhibited in the overall process. Regard is also given to the quantum of an executive's total remuneration. The 2018 Financial Year bonus is limited to 40% of the base package of the relevant executive, subject to the discretion of the Committee, for exceptional performance.

Details of Remuneration

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

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

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

2017 $	Short term					Share based	Post – employment	Long term	Total
	Cash salary and fees	Consultancy Fees	Cash bonus	Movement in provision for annual leave	Non-monetary benefits	Share bonus	Superannuation	Movement in provision for long service leave	
Non-executive Directors									
Prof. J. West (Chairman)	27,397	100,000	-	-	-	-	2,603	-	130,000
J. G. Parker	55,000	-	-	-	-	-	5,000	-	60,000
S. J. Clancy	56,315	-	-	-	-	-	5,350	-	61,665
R. D. Fraser[1]	21,063	-	-	-	-	-	2,001	-	23,064
	159,775	100,000		-	-	-	14,954	-	274,729
Executive Directors									
J. E. Gowing	232,876	-	-	35,358	3,943	-	22,123	(3,595)	290,705
Other key management personnel									
G. J. Grundy	284,999	-	-	16,239	-	17,250	30,000	4,772	353,260
R. Ambrogio[2]	109,589	-	-	3,731	-	-	10,411	2,020	125,751
J. Chorn[3]	167,453	-	-	(9,370)	-	-	14,315	(3,518)	168,880
Total key management personnel compensation	954,692	100,000	-	45,958	3,943	17,250	91,803	(321)	1,213,325

[1] R. D. Fraser resigned 20 December 2016
[2] R. Ambrogio was appointed as Chief Financial Officer on 1 February 2017
[3] J. Chorn ceased to be Chief Financial Controller on 31 January 2017 and Company Secretary on 13 March 2017

Share based compensation includes shares issued from the Deferred Employee Share Plan.

Remuneration Report

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

	Fixed		Performance	
	2018 (%)	2017 (%)	2018 (%)	2017 (%)
Executive Directors				
J. E. Gowing[1]	75	100	25	-
Other key management personnel				
G. J. Grundy[2]	48	95	52	5
R. Ambrogio	100	100	-	-
N. Rogan	100	-	-	-

[1] Performance bonus paid to J.Gowing related to his efforts in relation to FY2017, no part of the bonus related to FY2018.
[2] Performance bonuses paid to G.Grundy related to his efforts in relation to FY2016 ($150,000) and FY2017 ($200,000), no part of the bonus related to FY2018.

Service Agreements

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

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

Other major provisions relating to remuneration are set out below:

J. E. Gowing, Managing Director

- No fixed term
- Base salary, inclusive of superannuation, as at 31 July 2018 of $310,000, to be reviewed annually by the Remuneration Committee
- Non-monetary benefits included motor vehicle and FBT related charges for the year ended 31 July 2018 of $3,353
- No termination benefit is payable

N. Rogan, Head of Wholesale Funds Management

- No fixed term
- Base salary, inclusive of superannuation, as at 31 July 2018 of $320,000, to be reviewed annually by the Remuneration Committee
- No termination benefit is payable

R. Ambrogio, Chief Financial Officer

- No fixed term
- Base salary, inclusive of superannuation, as at 31 July 2018 of $240,000, to be reviewed annually by the Remuneration Committee
- No termination benefit is payable

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

Additional Information

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

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

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

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

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

	2018	2017	2016	2015	2014
Net Profit after tax	$5.5m	$23.2m	$22.0m	$19.1m	$14.1m
Basic and diluted earnings per share	10.15c	43.29c	40.92c	35.48c	26.10c
Dividends per share	12.0c	12.0c	12.0c	12.0c	12.0c
Share buy back – number of shares	47k	12k	181k	20k	7k
Share buy back – value	$135k	$41k	$565k	$58k	$19k
Share price at financial year end	$2.89	$3.23	$3.62	$3.20	$2.78

ASX Listing Requirements

1. Shareholders at 1 October 2018

Range of shares	No. of shareholders
1 – 1,000 shares	300
1,001 – 5,000 shares	453
5,001 – 10,000 shares	185
10,001 – 100,000 shares	355
Over 100,000 shares	48
Total shareholders	1,341

The number of shareholdings held in less than marketable parcels is 120.

2. Voting Rights

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

3. Substantial Shareholders at 1 October 2018

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

John Edward Gowing	20,881,150	Ordinary shares
Carlton Hotel Limited	4,701,144	Ordinary shares
JP Morgan Nominees Australia Limited	3,430,880	Ordinary shares

4. Top 20 Equity Security Holders at 1 October 2018

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

		No. of ordinary shares	% of issued shares
1	Warwick Pty Limited	7,211,378	13.45
2	Audley Investments Pty Limited	5,263,957	9.81
3	Carlton Hotel Limited	4,701,144	8.77
4	Mr John Edward Gowing	3,676,709	6.86
5	J P Morgan Nominees Australia Limited	3,430,880	6.40
6	Woodside Pty Limited	3,105,594	5.79
7	HSBC Custody Nominees (Australia) Limited	1,488,246	2.77
8	Josseck Pty Limited	1,337,622	2.49
9	Mr John Gowing	1,187,189	2.21
10	Mr Frederick Bruce Wareham	1,152,358	2.15
11	Mr Ronald Langley and Mrs Rhonda Langley	674,580	1.26
12	Enbeear Pty Limited	636,829	1.19
13	Mr Graeme Legge	613,400	1.14
14	Beta Gamma Pty Limited	605,000	1.13
15	Mrs Jean Kathleen Poole-Williamson	568,443	1.06
16	T N Phillips Investments Pty Limited	550,000	1.03
17	Mythia Pty Limited	423,500	0.79
18	National Nominees Limited	305,871	0.57
19	Cadmea Pty Limited	295,870	0.55
20	Cranley Holdings Pty. Limited	272,046	0.51
	Total	37,500,616	69.93
	Total issued share capital	53,632,915	

5. Corporate Governance Practices

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

Financial Report

The consolidated financial statements were authorised for issue by the Directors on 11 October 2018. The Directors have the power to amend and reissue the consolidated financial statements.

Consolidated Statement of Profit or Loss

For the year ended	Notes	31 July 2018 $'000	31 July 2017 $'000
Revenue			
Interest income		219	672
Equities		618	1,173
Private equities	5	449	173
Investment properties	18	19,829	19,672
Revenue from the sale of goods (Surf Hardware International)		37,189	24,546
Total revenue		58,304	46,236
Other income			
Gains / (losses) on disposal or revaluation of:			
Equities	15	-	5,696
Private equities	16	(148)	(318)
Investment properties	18	5,589	23,302
Derivatives		(418)	367
Other income		739	299
Total other income		5,762	29,346
Total revenue and other income		64,066	75,582
Expenses			
Investment properties	18	8,342	7,876
Finished goods, raw materials and other operating expenses (Surf Hardware International)		37,136	26,313
Administration		1,745	1,532
Borrowing cost	5	5,230	2,986
Depreciation	19	603	469
Employee benefits		1,776	1,948
Public Company		455	543
Business acquisition costs		55	473
Total expenses		55,342	42,140
Profit from continuing operations before impairment & income tax expense		8,724	33,442
Unrealised impairment - equities		(1,546)	(518)
Profit before income tax expense		7,178	32,924
Income tax expense	6	(1,725)	(9,684)
Profit from continuing operations		5,453	23,240
Profit from continuing operations is attributable to:			
Members of Gowing Bros. Limited		5,453	23,242
Non-controlling interests		-	(2)
Profit from continuing operations		5,453	23,240

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 2018 $'000	31 July 2017 $'000
Profit from continuing operations		**5,453**	**23,240**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Transfer from unrealised reserves for realised (gains) / losses net of tax		-	(3,528)
Increase in fair value of investments net of tax		2,257	1,984
Exchange rate differences on translating foreign operations net of tax		302	(162)
Gain on revaluation of property, plant and equipment net of tax		554	345
Total comprehensive income		8,566	21,879
Total comprehensive income attributable to:			
Members of Gowing Bros. Limited		8,566	21,881
Non-controlling interests		-	(2)
Total comprehensive income		8,566	21,879
Earnings per share			
Basic earnings per share	40	10.15c	43.29c
Diluted earnings per share	40	10.15c	43.29c

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 2018 $'000	31 July 2017 $'000
Current assets			
Cash and cash equivalents	7	5,294	5,886
Development properties	8	-	297
Loans receivable	12	-	3,000
Inventories	11	6,234	6,636
Trade and other receivables	9	7,789	7,527
Other	10	1,271	1,220
Total current assets		20,588	24,566
Non-current assets			
Trade and other receivables	13	567	760
Loans receivable	14	1,400	-
Equities	15	36,783	33,969
Private equities	16	3,449	3,301
Development properties	17	14,145	13,707
Investment properties	18	256,678	226,661
Property, plant and equipment	19	8,749	7,828
Intangibles	20	4,302	3,550
Deferred tax assets	21	5,070	4,631
Other	22	2,025	1,839
Total non-current assets		333,168	296,246
Total assets		353,756	320,812
Current liabilities			
Trade and other payables	23	4,711	9,902
Borrowings	24	455	9,330
Derivatives		708	733
Current tax liabilities	25	357	2,085
Provisions	26	1,222	1,075
Total current liabilities		7,453	23,125
Non-current liabilities			
Trade and other payables		248	275
Borrowings	27	92,009	49,023
Provisions	28	469	498
Deferred tax liabilities	29	37,612	33,915
Total non-current liabilities		130,338	83,711
Total liabilities		137,791	106,836
Net assets		215,965	213,976
Equity			
Contributed equity	30	12,476	12,611
Reserves	31	106,342	103,229
Retained profits		97,149	98,138
Contributed equity and reserves attributable to members of Gowing Bros. Limited		215,967	213,978
Non-controlling interests		(2)	(2)
Total equity		215,965	213,976

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 Profits $'000	Revaluation Reserves $'000	Foreign Currency Reserve $'000	Retained Profits $'000	Non-Controlling Interests $'000	Total $'000
Balance at 31 July 2016	12,652	90,503	14,087	-	81,338	-	198,580
Total comprehensive income for the year	-	-	(1,199)	(162)	23,242	(2)	21,879
Transactions with owners in their capacity as owners:							
Share buy-back	(41)	-	-	-	-	-	(41)
Dividends paid	-	-	-	-	(6,442)	-	(6,442)
Balance at 31 July 2017	12,611	90,503	12,888	(162)	98,138	(2)	213,976
Total comprehensive income for the year	-	-	2,811	302	5,453	-	8,566
Transactions with owners in their capacity as owners:							
Share buy-back	(135)	-	-	-	-	-	(135)
Dividends paid	-	-	-	-	(6,442)	-	(6,442)
Balance at 31 July 2018	12,476	90,503	15,699	140	97,149	(2)	215,965

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 2018 $'000	31 July 2017 $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		62,010	48,300
Payments to suppliers and employees (inclusive of GST)		(54,079)	(36,687)
Dividends received		618	1,172
Interest received		497	465
Borrowing costs		(3,454)	(2,986)
Income taxes paid		(1,380)	(5,780)
Net cash inflows from operating activities	42	4,212	4,484
Cash flows from investing activities			
Payments for purchases of properties, plant and equipment		(733)	(297)
Payments for purchases of intangibles		(752)	(117)
Payments for purchases of development properties		(438)	(12,244)
Payments for purchases of investment properties		(29,026)	(12,653)
Payments for purchases of equity investments		(1,975)	(6,198)
Loans made		(1,400)	(997)
Proceeds from repayment of loans made		3,000	-
Proceeds from sale of properties, plant and equipment		-	3
Proceeds from sale of equity investments		543	22,046
Proceeds from sale of investment properties		896	1,600
Proceeds from loans on development properties		-	391
Payment for subsidiary, net of cash acquired		-	(14,293)
Proceeds from sale of development properties		-	85
Net cash outflows from investing activities		(29,885)	(22,674)
Cash flows from financing activities			
Payments for share buy-backs	30	(135)	(41)
Proceeds from borrowings	43	33,764	35,667
Repayment of borrowings	43	(79)	(26,105)
Payments for derivatives	43	(2,027)	-
Dividends paid	32	(6,442)	(6,442)
Net cash inflows from financing activities		25,081	3,079
Net decrease in cash held		(592)	(15,111)
Cash and cash equivalents at the beginning of the financial year		5,886	20,997
Cash and cash equivalents at the end of the financial year		5,294	5,886

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

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

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

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

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

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

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

Critical accounting estimates
The preparation of consolidated financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Areas involving a higher degree of judgement and complexity or where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

New and amended standards adopted
The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) that are mandatory for the current reporting period. The adoption of these standards did not have a material impact.

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

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

(b) Principles of Consolidation
The consolidated financial statements incorporate all the assets, liabilities and results of the Company and all the subsidiary companies and other interests it controlled during the year ended 31 July 2018. The Company controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Details of subsidiary companies and other interests of the Company are set out in note 37.

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

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

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

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

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

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

Goodwill on acquisitions of subsidiaries is included in intangible assets.

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

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

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

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

(f) Foreign currency translation

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

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

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

(a) assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
(b) income and expenses are translated at average exchange rates for the period; and
(c) retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

1. Summary of Significant Accounting Policies (Continued)

(g) Income tax
The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled.

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

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

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

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

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

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

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

(i) *Patents*
Patents have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patents over their useful lives which is currently 20 years.

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

1. Summary of Significant Accounting Policies (Continued)

(l) Revenue recognition
Revenue is recognised for the major business activities as follows:

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

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

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

(iv) *Sales of goods*
Revenue from the sales of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement with those goods.

(v) *Property construction and sale*
Contract revenue and expenses are recognised in accordance with the percentage completion method unless the outcome of the contract cannot be reliably estimated. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense when incurred, and where it is probable that costs will be recovered, revenue is recognised to the extent of costs incurred. Where it is probable that a loss will arise from a construction contract, the excess of the total expected contract costs over total expected contract revenue is recognised as an expense immediately.

(vi) *Other investment revenue*
Changes in fair value of private equities are recognised through profit or loss. Trust income and option income is recognised when earned.

(vii) *Other property revenue*
Other property revenue is recognised in accordance with underlying agreements.

(viii) *Interest revenue*
Interest income is recognised on an accrual basis.

(m) Trade and other receivables
Receivables consists mainly of amounts due for rental income and sale of goods. Amounts are usually due between seven and ninety days from invoice date. Amounts due for the sale of financial assets and properties are usually due on settlement unless the specific contract provides for extended terms.

(n) Investments and other financial assets
The Group classifies its investments in the following categories: private equities (financial assets at fair value through profit or loss) and equities (available-for-sale financial assets). The classification depends on the purpose for which it was acquired. Management determines the classification on initial recognition.

(i) *Equities*
Equities, comprising principally marketable equity securities, are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

(ii) *Private equities*
Private equities are held with the view that they are long term investments.

Recognition/de-recognition and subsequent measurement
Regular purchases and sales of investments are recognised on trade-date, the date on which the Group commits to the purchase or sale of the asset. Investments in equities are initially recognised at fair value plus transaction costs. Investments in private equities are initially recognised at fair value, and transaction costs are expensed in profit or loss.

Interests in equities are brought to account at fair value, with the change in fair value reflected in the long term revaluation reserve. Interests in private equities are brought to account at fair value, with any change in fair value reflected in profit or loss. The interest in joint ventures is accounted for as set out in note 38. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

Impairment
The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equities, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the security is impaired. If any such evidence exists for equities, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss, is transferred to profit or loss. Impairment losses recognised in profit or loss on equities are not reversed through profit or loss.

(o) Investment properties
Investment property, principally comprising freehold commercial and retail buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value determined annually by management. Changes in fair values are recorded in profit or loss as part of other income.

(p) Joint ventures
Jointly controlled assets
The proportionate interests in the assets, liabilities and expenses of joint venture activities have been incorporated in the consolidated financial statements under the appropriate headings. Details of the joint ventures are set out in note 38.

1. Summary of Significant Accounting Policies (Continued)

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

(r) Borrowings
Bills payable are carried at their principal amounts. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

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

(t) Employee entitlements

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

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

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

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

(w) Leases
Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

(x) Earnings per share

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

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

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

(z) New accounting standards and interpretations
The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

AASB 9 Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018)

AASB 9 includes requirements for the classification and measurement of financial assets, the accounting requirements for financial liabilities, impairment testing requirements and hedge accounting requirements.

The changes made to accounting requirements by these standards include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value and an allowance for debt instruments to be carried at fair value through other comprehensive income in certain circumstances
- simplifying the requirements for embedded derivatives
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows
- amending the rules for financial liabilities that the entity elects to measure at fair value, requiring changes in fair value attributed to the entity's own credit risk to be presented in other comprehensive income
- introducing new general hedge accounting requirements intended to more closely align hedge accounting with risk management activities as well as the addition of new disclosure requirements
- requirements for impairment of financial assets

The Group is in the process of completing its impact assessment of AASB9 however initial indications are that it may affect the Group's accounting of its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

AASB 15 Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018)

AASB 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards AASB 118 Revenue and AASB 111 Construction Contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The Group is is in the process of completing its impact assessment of AASB15 however initial indications are that the effects of AASB15 will not be material to the group.

AASB 16 Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16 removes the classification of leases between finance and operating leases, effectively treating all leases as finance leases for the lessee.

Although the group anticipate the adoption of AASB16 will impact the group's future financial statements it is impracticable at this stage to provide a reasonable estimate of such impact.

The Group has decided against early adoption of these standards.

2. Financial Risk Management

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

Market risk

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

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

Currency exposure in AUD	31st July 2018				31st July 2017			
	USD $'000	EUR $'000	GBP $'000	JPY $'000	USD $'000	EUR $'000	GBP $'000	JPY $'000
Cash	448	391	9	247	915	352	27	137
Trade receivables	2,400	1,796	-	933	2,222	1,784	-	826
Trade payables	(342)	(255)	-	(415)	(168)	(58)	-	-
Equities	5,565	-	-	-	3,233	-	-	-
Private equities	1,141	311	-	-	1,092	272	-	-

Based on the cash held at 31 July 2018, if the Australian dollar weakened / strengthened by 10% against the US dollar cash would have been $49,778 higher / $40,727 lower (2017: $101,667 higher / $83,182 lower). If the Australian dollar weakened / strengthened by 10% against the GBP cash would have been $1,000 higher / $818 lower (2017: $3,000 higher / $2,455 lower). If the Australian dollar weakened / strengthened by 10% against the EUR cash would have been $43,444 higher / $35,545 lower (2017: $39,111 higher / $32,000 lower). If the Australian dollar weakened / strengthened by 10% against the JPY cash would have been $27,444 higher / $22,455 lower (2017: $15,222 higher / $12,455 lower).

Based on the trade receivables held at 31 July 2018, if the Australian dollar weakened / strengthened by 10% against the US dollar receivables would have been $266,667 higher / $218,182 lower (2017: $246,889 higher / $202,000 lower). If the Australian dollar weakened/strengthened by 10% against the EUR, the receivables would have been $199,556 higher/ $163,273 lower (2017: $198,222 higher/ $162,182 lower). If the Australian dollar weakened/ strengthened by 10% against the JPY, the receivables would have been $103,667 higher/ $84,818 lower (2017: $91,778 higher/ $75,091 lower).

Based on the trade payables held at 31 July 2018, if the Australian dollar weakened / strengthened by 10% against the US dollar payables would have been $38,000 higher / $31,091 lower (2017: $18,667 higher / $15,273 lower). If the Australian dollar weakened/strengthened by 10% against the EUR, the payables would have been $28,333 higher/ $23,182 lower (2017: $6,444 higher/ $5,273 lower). If the Australian dollar weakened/strengthened by 10% against the JPY, the payables would have been $46,111 higher/ $37,727 lower (2017: $nil higher/ $nil lower).

Based on the equities held at 31 July 2018, if the Australian dollar weakened / strengthened by 10% against the US dollar equities would have been $618,333 higher / $505,909 lower (2017: $359,222 higher / $293,909 lower).

Based on the private equities held at 31 July 2018, if the Australian dollar weakened / strengthened by 10% against the US dollar private equities would have been $126,778 higher / $103,727 (2017: $121,333 higher / $99,273 lower). If the Australian dollar weakened / strengthened by 10% against the Euro private equities would have been $34,556 higher / $28,273 lower (2017: $30,222 higher / $24,727 lower).

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

2. Financial Risk Management (Continued)

(ii) Price risk
The Group is exposed to asset price risk. This arises from equities and private equities held by the Group and classified on the Consolidated Statement of Financial Position either as available-for-sale or at fair value through profit or loss. A price reduction at 5% and 10% spread equally over the investment portfolio would reduce its value by $2,011,590 (2017: $1,863,505) and $4,023,180 (2017: $3,727,010) respectively.

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

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

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

	Weighted average interest rate	31st July 2018 Balance $'000	Weighted average interest rate	31st July 2017 Balance $'000
Borrowings	2.15%	92,457	3.09%	58,342
Interest rate swaps (notional principal amount)	2.64%	(60,200)	3.53%	(35,000)
Net exposure to cash flow interest rate risk		32,257		23,342

Credit risk

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

Liquidity risk

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

Maturity of Financial Liabilities

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

2. Financial Risk Management (Continued)

Maturity of Financial Liabilities (Continued)

31 July 2017	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total contractual cash flow
	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Non-interest bearing	9,902	275	-	-	10,177
Fixed rate	11	-	-	-	11
Variable rate	9,319	1,023	14,000	34,000	58,342
Total non-derivatives	19,232	1,298	14,000	34,000	68,530
Derivatives					
Fixed rate	733	-	-	-	733

Fair value estimation risk

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

Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3: unobservable inputs for the assets or liability.

The following tables present the Group's assets and liabilities measured at fair value at 31 July 2018 and 31 July 2017.

31 July 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets - available for sale				
Investments - Australian equities	12,985	-	18,234	31,219
Investments - Global equities	-	-	5,564	5,564
Financial assets - designated at fair value through profit or loss				
Investments - private equities	-	-	3,449	3,449
Investments - properties	-	-	256,678	256,678
Other assets - designated at fair value				
Freehold - properties	-	-	7,148	7,148
Financial liabilities - designated at fair value through profit or loss				
Derivatives	-	(708)	-	(708)
Total	12,985	(708)	291,073	303,350

31 July 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets - available for sale				
Investments - Australian equities	13,731	-	17,004	30,735
Investments - Global equities	-	-	3,234	3,234
Financial assets - designated at fair value through profit or loss				
Investments - private equities	-	-	3,301	3,301
Investments - properties	-	-	226,661	226,661
Other assets - designated at fair value				
Freehold - properties	-	-	6,401	6,401
Financial liabilities - designated at fair value through profit or loss				
Derivatives	-	(733)	-	(733)
Total	13,731	(733)	256,601	269,599

2. Financial Risk Management (Continued)

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

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

- The fair value of listed equities is based on quoted market prices at the reporting date.
- The fair value of directly held unlisted equity investments is determined by management valuations in accordance with the AVCAL valuation guidelines. A variety of methods are used including reference to recent shares issued and net assets of underlying investments.
- The fair value of investment properties are determined by capitalisation rates derived by using the income approach method and/or using external registered property valuers: refer to note 18.
- Investments in private equities primarily consist of investments in managed private equity funds, each of which consists of a number of investments in individual companies, none of which are material. Fair value of managed private equity investments has been determined using fund manager valuations, which are prepared in accordance with AVCAL Guidelines. Directors have reviewed those valuations.
- The fair value of freehold properties included in Property, Plant and equipment is determined by Directors based on comparable property market information.

31 July 2018 Reconciliation of level 3 fair value movements	31 July 2018 $'000	31 July 2017 $'000
Opening balance	256,601	214,289
Transfers to level 1	-	-
Transfers from development properties	297	153
Purchases	28,289	19,780
Sales	(1,439)	(2,109)
Amortisation and depreciation	(1,293)	(1,260)
Gain recognised in profit or loss or other comprehensive income	8,618	25,748
Closing balance	291,073	256,601

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

- Equities - refer to note 15
- Private equities - refer to note 16
- Investment properties - refer to note 18

3. Critical Accounting Estimates & Judgements

Managed and Direct Private Equity

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

The impact of the revaluation of managed private equities at 31 July 2018 was a gain of $279,153 (2017: a loss of $318,123) recognised in profit or loss.

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

Investment property

Investment property valuations are estimated by the board and management with reference where possible to external valuations, market appraisals, recent comparable sales, date of purchase and capitalisation rate valuations. The impact on profit or loss relating to the revaluation of investment properties was a gain of $5,472,142 (2017: gain of $23,301,780).

4. Segment Information

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

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

For the year ended	31 July 2018 $'000	31 July 2017 $'000
Segment revenue		
Cash and fixed interest – interest received	219	672
Equities – dividends and option income	618	1,173
Private equities – distributions received	449	173
Investment properties – rent received	19,829	19,672
Surf Hardware International business – sale of goods	37,189	24,546
	58,304	46,236
Segment other income		
Equities – realised gains on disposal	-	5,696
Private equities – realised losses on disposal/unrealised fair value gains/(losses)	(148)	(318)
Investment properties – realised losses on disposal/unrealised fair value gains	5,589	23,302
Other	321	666
	5,762	29,346
Total segment revenue and other income	64,066	75,582
Segment result		
Cash and fixed interest	219	672
Equities	(928)	6,351
Private equities	301	(145)
Investment properties	11,846	32,112
Surf Hardware International business	308	(1,776)
Other	(4,568)	(4,290)
	7,178	32,924
Income tax (expense)	(1,725)	(9,684)
Net profit after tax	5,453	23,240

4. Segment Information (Continued)

For the year ended	31 July 2018 $'000	31 July 2017 $'000
Revenue from external customers by geographical region		
Australia	30,239	25,459
United States of America	11,563	8,458
Japan	5,597	3,937
Europe	9,619	6,364
Total revenue from external customers	57,018	44,218

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

As at	31 July 2018 $'000	31 July 2017 $'000
Segment assets		
Cash and fixed interest	5,294	5,886
Equities	36,783	33,969
Private equities	3,449	3,301
Investment properties	256,678	226,661
Development properties	14,145	14,004
Surf Hardware International business	15,691	14,841
Unallocated assets	21,716	22,150
Total assets	353,756	320,812
Segment liabilities		
Investment properties	91,345	57,698
Surf Hardware International business	4,193	3,383
Unallocated liabilities	42,253	45,755
Total liabilities	137,791	106,836
Non-current assets by geographical region		
Australia	324,655	290,615
United States of America	8,016	5,294
Japan	398	216
Europe	99	121
Total non-current assets	333,168	296,246

4. Segment Information (Continued)

For the year ended	31 July 2018 $'000	31 July 2017 $'000
Payments for the acquisition of:		
- Investment properties	29,026	12,653
- Development properties	438	12,244
- Equities	1,975	6,198
- Surf Hardware International business, net of cash acquired	-	14,293
Gains / (losses) on disposal or revaluation of:		
- Investment properties	5,589	23,302
- Equities	-	5,696
- Private equities	(148)	(318)
- Impairment – equities	(1,546)	(518)
Unallocated:		
- Payments for the acquisition of property, plant and equipment	733	297

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

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

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

Surf Hardware International business segment
Segment assets include all assets (excluding operating cash of $1.23 million (2017: $1.45 million) which is included in the cash segment) used by the Surf Hardware International business segment and consist primarily of trade and other receivables, inventories, plant and equipment and intangibles, net of related provisions. Segment liabilities consist of borrowings, trade and other payables and employee entitlements. Segment assets and liabilities do not include income taxes. Tax assets and liabilities are represented as unallocated amounts.

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

5. Operating Profit

For the year ended	31 July 2018 $'000	31 July 2017 $'000
Profit from continuing operations before income tax expense includes the following specific items:		
Gains		
Private equity investment distributions	449	173
Expenses		
Interest and other borrowing cost	5,230	2,986
Employee benefits	11,166	7,908
Cost of sales	21,926	16,795

6. Income Tax Expense

For the year ended	31 July 2018 $'000	31 July 2017 $'000
Current tax	139	2,421
Deferred tax	1,735	7,658
(Over) / under provided in prior years	(149)	(395)
	1,725	9,684
Income tax attributable to:		
Profit from continuing operations	1,725	9,684
Aggregate income tax expense on profit	1,725	9,684
Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	7,178	32,924
Tax at the Australian tax rate of 30% (2017: 30%)	2,153	9,877
Deferred tax assets not recognised	-	409
Deferred tax assets recorded not previously recognised	(321)	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable income/ Non-deductable expenses	144	49
Franked dividends	(102)	(256)
(Over) / under provision in prior year	(149)	(395)
Income tax expense	1,725	9,684
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	1,204	(503)

7. Cash and Cash Equivalents

As at	31 July 2018 $'000	31 July 2017 $'000
Cash at bank and on hand	5,294	5,886

8. Current Development Properties

Development Properties	-	297

9. Current Trade and Other Receivables

As at	31 July 2018 $'000	31 July 2017 $'000
Trade debtors	8,015	7,770
Less: Provision for doubtful debts	(226)	(243)
Balance at end of year	7,789	7,527

10. Other Current Assets

Prepayments	1,271	1,220

11. Current Inventories

At cost or net realisable value		
Raw materials and finished goods	6,234	6,636
Balance at end of year	6,234	6,636

12. Current Loan Receivable

Loan to property developers	-	3,000

Interest on loans to property developers held in the prior year were charged at commercial rates.

13. Non-Current Receivables

Loans to employees	1	2
Other loans	566	758
Balance at end of year	567	760

14. Non-Current Loan Receivable

Loan receivable	1,400	-

15. Non-Current Equities

At fair value		
Balance at beginning of year	33,969	47,774
Revaluation to fair value	3,224	(2,195)
Additions	1,136	4,749
Impairment	(1,546)	(518)
Disposal proceeds	-	(21,537)
Net gain on disposal	-	5,696
Balance at end of year	36,783	33,969

Changes in fair value of equities are recorded in equity.

16. Non-Current Private Equities

For the year ended	31 July 2018 $'000	31 July 2017 $'000
At fair value through profit or loss		
Balance at beginning of year	3,301	2,679
Revaluation to fair value	279	(318)
Additions	839	1,449
Disposal proceeds	(543)	(509)
Net gain on disposal	(427)	-
Balance at end of year	3,449	3,301

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

17. Non-Current Development Properties

At cost or net realisable value		
Balance at beginning of year	13,707	1,463
Additions	438	12,244
Balance at end of year	14,145	13,707

18. Non-Current Investment Properties

Balance at beginning of year	226,661	192,716
Additions	26,276	15,041
Disposal proceeds	(896)	(1,600)
Net loss on disposal	(11)	-
Transfers in/(out)	297	(1,582)
Amortisation on incentives	(1,249)	(1,216)
Net gain from fair value adjustment	5,600	23,302
Balance at end of year	256,678	226,661

Amounts recognised in profit of loss for investment properties		
Rental revenue	19,829	19,672
Direct operating expenses from rental generating properties	(8,342)	(7,876)
Net loss on disposal	(11)	-
Gain on revaluation	5,600	23,302
	17,076	35,098

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

18. Non-Current Investment Properties (Continued)

	Valuation Method	Weighted average cap rate 2018	Weighted average cap rate 2017	31 July 2018 $'000	31 July 2017 $'000
Sub-regional shopping centres (Coffs Central & Port Central)	(a)	6.25%	6.47%	199,861	173,280
Neighbourhood shopping centres (Kempsey Central and Moonee Marketplace)	(a)	7.25%	7.38%	48,800	45,300
Other properties	(b)	n/a	n/a	8,017	8,081
				256,678	226,661

(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 2018 were based on management prepared valuations and externally prepared valuations.

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

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

19. Non-Current Property, Plant and Equipment

	Freehold Property $'000	Motor vehicles $'000	Furniture, fittings & equipment $'000	Total $'000
Year ended 31 July 2018				
Opening net book amount	6,401	247	1,180	7,828
Acquired on business combination (note 33)	-	-	-	-
Additions	-	6	727	733
Disposals	-	-	-	-
Transfers in/(out)	-	-	-	-
Revaluation to fair value	791	-	-	791
Depreciation charge	(44)	(67)	(492)	(603)
Closing net book amount	7,148	186	1,415	8,749
At 31 July 2018				
Cost or fair value	7,565	505	7,304	15,374
Accumulated depreciation	(417)	(319)	(5,889)	(6,625)
Net book amount	7,148	186	1,415	8,749

	Freehold Property $'000	Motor vehicles $'000	Furniture, fittings & equipment $'000	Total $'000
Year ended 31 July 2017				
Opening net book amount	4,217	227	446	4,890
Acquired on business combination (note 33)	-	66	821	887
Additions	-	-	297	297
Disposals	-	-	(5)	(5)
Transfers in / (out)	1,735	-	-	1,735
Revaluation to fair value	493	-	-	493
Depreciation charge	(44)	(46)	(379)	(469)
Closing net book amount	6,401	247	1,180	7,828
At 31 July 2017				
Cost or fair value	6,774	499	6,577	13,850
Accumulated depreciation	(373)	(252)	(5,397)	(6,022)
Net book amount	6,401	247	1,180	7,828

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

20. Non-Current Intangibles

As at	31 July 2018 $'000	31 July 2017 $'000
Goodwill	2,383	2,383
Brand names	1,719	1,050
Patents	200	117
Balance at end of year	4,302	3,550

Intangible assets, other than goodwill and brand names have finite useful lives. Goodwill and brand names have an indefinite useful life.

Goodwill and brand names are allocated to the Surf Hardware International business segment ("the cash-generating unit"). The Group tests whether goodwill and brand names have suffered any impairment at each reporting period. The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period with the period extending beyond four years extrapolated using an estimated growth rate.

Five year projected cash flows in respect of the Surf Hardware International business segment are $6.0 million. Key assumptions include: (a) 12.5% discount rate; (b) 5% per annum projected net revenue growth rate; (c) 3% per annum increase in operating expenses; and (d) 3% terminal growth rate. Based on these assumptions the Directors have determined that no impairment charge shall be recognised during the current reporting period.

21. Deferred Tax Assets

As at	31 July 2018 $'000	31 July 2017 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	361	329
Accruals	336	915
Equities	-	1,229
Private equities	2,124	1,655
Derivatives	212	220
Tax losses	1,725	-
Other	312	283
Net deferred tax assets	5,070	4,631
Movements:		
Opening balance at 1 August	4,631	4,191
Acquired on business combination (note 33)	-	258
(Debited) / credited to profit or loss	439	182
Closing balance at 31 July	5,070	4,631
Deferred tax assets to be recovered after 12 months	841	1,534
Deferred tax assets to be recovered within 12 months	4,229	3,097
	5,070	4,631

22. Other Non-Current Assets

As at	31 July 2018 $'000	31 July 2017 $'000
Other assets	2,025	1,839

23. Current Trade and Other Payables

Trade creditors	2,140	5,507
Other creditors and accruals	2,571	4,395
Balance at end of year	4,711	9,902

24. Current Borrowings

Bill payable – secured	-	8,675
Commercial advance facility - secured	336	-
Trade facility – secured	112	644
Finance lease – secured	7	11
Balance at end of year	455	9,330

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

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

Security
Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 27.

25. Current Tax Liabilities

As at	31 July 2018 $'000	31 July 2017 $'000
Income tax	357	2,085

26. Current Provisions

Employee Entitlements	1,222	1,075

27. Non-Current Borrowings

Bill payable - secured	91,345	49,023
Commercial advance facility - secured	664	-
Balance at end of year	92,009	49,023

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

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

27. Non-Current Borrowings (Continued)

Total secured liabilities	31 July 2018 $'000	31 July 2017 $'000
The total secured liabilities (current and non-current) are as follows:		
Bills payable[1]	91,345	57,698
Trade facility – secured[2]	112	644
Commercial advance facility – secured[3]	1,000	-
Finance lease – secured	7	11
	92,464	58,353

Assets pledged as security

[1]$1.6 million bill is secured against 328-332 Bong Bong St, Bowral. The facility has a total facility limit of $1.65 million and interest is charged at BBSY plus 1.90%.

[1]$89.745 million bill is secured against Port Central Shopping Centre, Coffs Central Shopping Centre, Mooney Marketplace Shopping Centre and Kempsey Central Shopping Centre (the "SC properties"). The facility entered into during the year consists of two tranches, the first tranche is a non-revolving facility, has a facility limit of $86 million (fully drawn at 31 July 2018), interest on the outstanding principal is charged at the BBSY rate p.a. and a line fee is charged at a fixed rate of 2.35% p.a. on the first tranche facility limit. The second tranche is a revolving facility, has a facility limit of $30 million, interest on the outstanding principal is charged at BBSY plus 0.70% p.a. and a line fee is charged at a fixed rate of 1.65% p.a. on the second tranche facility limit. At 31 July 2018 the current interest rate that applies to amounts advanced is 2.05% p.a. for the first tranche and 2.75% p.a. for the second tranche. The lender requires the Group and SC properties to meet certain financial ratios: the SC properties must have a minimum interest coverage ratio of 1.75 times; the Group must have a minimum interest coverage ratio of 1.5 times; the combined facility limit of the first and second tranches must not to exceed 55% of the aggregate market value of the SC properties; and the Group's gearing ratio must not exceed 50%.

[2]$0.112 million trade facility is held by Gowings SHI Pty Limited and secured by the assets of Gowings SHI Pty Limited, Fin Control Systems Pty Ltd, Oz4u Holdings Pty Ltd, SHI Holdings Pty Ltd, Sunbum technologies Pty Ltd, Surfing Hardware International Holdings Pty Ltd, Surf Hardware International Pty Ltd, and Surf Hardware International Asia Pty Ltd. The facility was revised during the year and has a total facility limit of $2 million, interest is charged at the trade interest rate determined by the lender at the date of drawn down plus 2.5%. At 31 July 2018 the current interest rate that applies to amounts advanced is 4.90%.

[3]$1 million commercial advance facility is held by Gowings SHI Pty Limited and secured by the assets of Gowings SHI Pty Limited, Fin Control Systems Pty Ltd, Oz4u Holdings Pty Ltd, SHI Holdings Pty Ltd, Sunbum technologies Pty Ltd, Surfing Hardware International Holdings Pty Ltd, Surf Hardware International Pty Ltd, and Surf Hardware International Asia Pty Ltd. The facility entered into during the year has a total facility limit of $1 million (fully drawn at 31 July 2018), interest is charged at BBSY plus 3.0%. At 31 July 2018 the current interest rate that applies to amounts advanced is 5.09%.

As at	31 July 2018 $'000	31 July 2017 $'000
Financing Arrangements Unrestricted access was available at balance date to the following lines of credit:		
Total facilities		
Secured bank overdrafts	-	1,000
Secured bill facilities	117,650	82,240
Secured trade facility	2,000	2,000
Secured commercial advance facility	1,000	-
	120,650	85,240
Used at balance date		
Secured bill facilities	91,345	57,698
Secured trade facility	112	644
Secured commercial advance facility	1,000	-
	92,457	58,342
Unused at balance date		
Secured bank overdrafts	-	1,000
Secured bill facilities	26,305	24,542
Secured trade facility[1]	1,888	1,356
Secured commercial advance facility	-	-
	28,193	26,898

27. Non-Current Borrowings (Continued)

[1]Of the $1.89 million (2017: $1.36 million) remaining trade facility, $0.15 million (2017: $0.15 million) has been used for bank guarantees.

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

28. Non-Current Provisions

As at	31 July 2018 $'000	31 July 2017 $'000
Employee entitlements	469	498

29. Deferred Tax Liabilities

The balance comprises temporary differences attributable to:		
Prepayments	291	303
Intangibles	315	315
Investment properties	30,139	27,699
Equities	6,179	5,047
Other	688	551
Net deferred tax liabilities	37,612	33,915
Movements:		
Opening balance at 1 August	33,915	25,861
Acquired on business combination (note 33)	-	729
Charged/(credited) to profit or loss	2,493	7,828
Charged/(credited) to equity	1,204	(503)
Closing balance at 31 July	37,612	33,915
Deferred tax liabilities to be settled within 12 months	291	398
Deferred tax liabilities to be settled after 12 months	37,321	33,517
	37,612	33,915

30. Contributed Equity

	Number of shares 2018	Number of shares 2017	2018 $'000	2017 $'000
Share capital				
Ordinary shares fully paid	53,632,915	53,680,259	12,476	12,611

Movements in ordinary share capital

Date	Details	Number of shares	Issue price per share	$'000
31/07/2017	Balance	53,680,259		12,611
27/06/2018	Share buy back	(47,344)	2.84	(135)
31/07/2018	Balance	53,632,915		12,476

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Dividend Reinvestment Plan
The Dividend Reinvestment Plan may be offered to shareholders by Directors, and allows shareholders to reinvest dividends into shares in the Company. The Dividend Reinvestment Plan is in place for the final dividend declared on 14 September 2018. The last date for the receipt of an election for participation in the Dividend Reinvestment Plan is 2 November 2018.

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
47,344 shares were bought back during the year (2017: 11,940).

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

31. Reserves

As at	31 July 2018 $'000	31 July 2017 $'000
Movements		
Capital profits reserve[1]		
Opening balance	90,503	90,503
Transfer from retained profits	-	-
Closing balance	90,503	90,503
Long term investment revaluation reserve[2]		
Opening balance	11,851	13,395
Fair value adjustments on available for sale assets		
- Equities	3,224	(2,195)
- Deferred tax applicable to fair value adjustments	(967)	651
Closing balance	14,108	11,851
Asset revaluation reserve[3]		
Opening balance	1,037	692
Fair value adjustments on property, plant and equipment		
- Property, plant and equipment	791	493
- Deferred tax applicable to fair value adjustments	(237)	(148)
Closing balance	1,591	1,037
Foreign currency translation reserve[4]		
Opening balance	(162)	-
Exchange differences on translation of foreign operations	302	(162)
Closing balance	140	(162)
Total reserves	106,342	103,229

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

32. Dividends

As at	31 July 2018 $'000	31 July 2017 $'000
Ordinary shares		
2017 final dividend of 6.0 cents (2016: 6.0 cents final) per share	3,221	3,221
2018 interim dividend of 6.0 cents (2017: 6.0 cents interim) per share	3,221	3,221
Total dividends declared	6,442	6,442
Dividends paid in cash	6,442	6,442

Franked dividends declared and paid during the year were fully franked at the tax rate of 30% (2017: 30%).

Dividends declared after year end
Subsequent to year end the Directors have declared the payment of a final dividend of 6.0 cents per ordinary share fully franked based on tax paid at 30%. The maximum amount of the proposed dividend expected to be paid on 13 November 2018 out of retained profits at 31 July 2018 is $3,217,975.

The financial effect of the dividend declared subsequent to the reporting date has not been brought to account in the financial statements for the year ended 31 July 2018 and will be recognised in subsequent financial reports.

Franked dividends
The franked portions of the final dividends declared after 31 July 2018 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 July 2019.

Franking credits available for subsequent financial years (tax paid basis)	6,678	9,762

The above amounts are based on the balance of the franking account at year end, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

33. Business Combination

Acquisition of SHI Holdings Pty Limited
On 16 December 2016, a subsidiary of the Group, Gowings SHI Pty Ltd, acquired 100% of the issued shares in SHI Holdings Pty Limited and its controlled entities ("Surf Hardware International") for total consideration of $16,000,000. Surf Hardware International is a manufacturer and global supplier of surf related hardware products. The acquisition is aligned with the Group's continued focus of investing in selected direct private equity investments in its investment portfolio.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration
The acquisition-date fair value of the total purchase consideration was $16,000,000. The purchase consideration is split into two tranches as follows:

	$'000
Purchase consideration (first tranche) – cash paid on acquisition date	10,000
Purchase consideration (second tranche) – cash paid on 30 June 2017	6,000
Total fair value of the total purchase consideration	16,000

33. Business Combination (Continued)

Purchase consideration was payable in two tranches, the first tranche was paid on the acquisition date in cash and the second tranche was paid in cash on 30 June 2017. At 31 July 2018 no purchase consideration remains outstanding in relation to this acquisition.

Fair value of identifiable assets and liabilities recognised as a result of the acquisition
Fair value of identifiable assets recognised as a result of the acquisition are as follows:

	$'000
Cash and cash equivalents	1,707
Trade and other receivables	4,655
Inventories	10,392
Other assets	324
Property, plant and equipment	887
Intangibles	1,050
Deferred tax assets	258
Total fair value of identifiable assets acquired	19,273

Fair value of identifiable liabilities recognised as a result of the acquisition are as follows:

	$'000
Trade and other payables	1,726
Employee provisions	989
Other provisions	334
Lease liability	17
Income tax payable	729
Deferred tax liabilities	1,861
Total fair value of identifiable liabilities acquired	5,656

The fair value of assets and liabilities acquired were previously recorded on a provisional basis. The Group has retrospectively adjusted the fair value of certain identifiable assets and liabilities recorded in prior period based on new information obtained since the data of acquisition about the facts and circumstances that existed at the date of acquisition. The fair value of identifiable assets and liabilities acquired are no longer recorded on a provisional basis.

Goodwill
The Group has measured the fair value of identifiable assets and liabilities acquired at acquisition date with the remainder of the purchase price being attributed to goodwill. This treatment is consistent with the Group's accounting policy at note 1(d)

Goodwill recorded in relation to the acquisition of Surf Hardware International is as follows:

	$'000
Purchase price	16,000
Less: net fair value of identifiable assets and liabilities acquired	(13,617)
Goodwill recorded on acquisition	2,383

The goodwill is attributed to Surf Hardware International's strong position in the global surf related hardware market & future growth potential.

Goodwill is not deductible for tax purposes.

Revenue and profit contribution
During the year ended 31 July 2018, Surf Hardware International contributed sales revenue of $37,188,969 (2017: $24,546,236 for the period from acquisition to 31 July 2017) and a loss before tax of $253,137 (2017:$2,080,601) to the Group's results. This loss includes an amount of $512,347 (2017: $2,577,653) relating to fair value adjustments made to Surf Hardware International's inventory on acquisition.

33. Business Combination (Continued)

Acquisition costs
Acquisition costs of $nil (2017: $473,143) were expensed in the consolidated statement of profit or loss in relation to the acquisition of Surf Hardware International.

Acquired receivables
On acquisition the gross contractual amount for trade receivables due was $4,729,720, of which $74,601 was expected to be uncollectible.

34. Remuneration of Auditors

	31 July 2018 $	31 July 2017 $
Audit and review – parent entity	105,000	102,000
Audit and review – subsidiary companies	62,500	60,000
Tax services	79,500	68,000
	247,000	230,000

35. Commitments for Expenditure

Capital commitments – Private equities
The Group has uncalled capital commitments of up to $1,132,923 (2017: $1,528,000) in relation to private equity investments held at year end.

Capital commitments – Investment properties
The Group has capital commitments of $1,342,517 (2017: $18,939,143) in relation to construction works on investment properties at year end.

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

Within one year	922	1,193
Later than one year but not later than five years	909	1,539
Later than five years	30	168
	1,861	2,900

36. Related Parties

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

Those persons that were also Directors during the year ended 31 July 2017 were Messrs J. E. Gowing, J. G. Parker, R. D. Fraser, Prof. J. West and S. J. Clancy.

36. Related Parties (Continued)

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

	31 July 2018 $	31 July 2017 $
Directors and other key management personnel		
Short-term employee benefits	1,723,628	1,104,593
Share based compensation	-	17,250
Post-employment benefits	78,380	91,803
Long-term benefits	(55,718)	(321)
	1,746,290	1,213,325

Detailed remuneration can be found in the remuneration report on pages 36 to 38.

Movement in shares

Key management person	Shares held* at 31-Jul-16 No.	Shares acquired/ (disposed) during the year No.	Shares held* at 31-Jul-17 No.	Shares acquired/ (disposed) during the year No.	Shares held* at 31-Jul-18 No.
J. E. Gowing	20,881,150	-	20,881,150	-	20,881,150
J. G. Parker	55,000	-	55,000	-	55,000
Prof. J. West	397,581	-	397,581	80,000	477,581
S. J. Clancy	5,000	-	5,000	-	5,000
G. J. Grundy	344,707	5,000	349,707	-	349,707

*Directly and indirectly

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

Receivables from Directors and Executives
At year end there were no receivables from the Directors and executives (2017: $nil).

Transactions with key Management Personnel & Directors

Key management person	Transaction type	31 July 2018 $	31 July 2017 $
J. E. Gowing	Marketing services	82,250	44,640
J. E. Gowing	Associate director services	10,950	3,650

The wife of Mr J E Gowing, Managing Director, is a Director of Creative License Pty Limited. Creative License Pty Limited provided marketing services totalling $36,150 for the year (2017 $34,094). Dealings were at commercial rates. The sons of Mr J E Gowing provided marketing and accounting services at market rates during the year on a casual basis, $46,100 (2017: $10,546) and associate director services $10,950 (2017: $3,650).

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

37. 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 % 2018	Ownership Interest % 2017
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 and Wales	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 Brazil Com. De Mat. Esportivos LTDA*	Brazil	-	99.9
Gowings Master Trust	Australia	100	-
1868 High Yield Trust	Australia	100	-
Gowings Life Sciences Trust	Australia	100	-
Gowing Bros Management Services Pty Ltd	Australia	100	-
Coastbeat Pty Ltd	Australia	100	-

*SHI Holdings Pty Limited and controlled entities acquired by Gowings SHI Pty Ltd during the prior year (note 33).

No other interests in subsidiaries or other entities (excluding joint ventures) were held by the Group in the 31 July 2018 financial year.

Non-controlling interests in subsidiaries and other interests of the Group are not material to the Group.

Significant Restrictions
Other than certain assets pledged as security for the secured trade facility detailed in note 27, there are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

38. Interests in Joint Ventures

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

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

	31 July 2018 $'000	31 July 2017 $'000
Current assets		
Cash	70	35
Trade and other receivables	8	40
Total current assets	78	75
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	3,078	3,075
Current liabilities		
Trade and other payables	17	5
Borrowings	-	1,675
Total current liabilities	17	1,680
Non-current liabilities		
Borrowings	1,600	-
Total non-current liabilities	1,600	-
Current share of liabilities employed in joint venture	1,617	1,680
Net assets employed in joint venture	1,461	1,395

$1.6 million of borrowings is secured against investment properties of Regional Retail Properties (note 27).

39. Share Based Payments

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

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

Options
No options were on issue at year end (2017: Nil).

40. Earnings Per Share

	31 July 2018	31 July 2017
Basic earnings per share (cents)	10.15c	43.29c
Diluted earnings per share (cents)	10.15c	43.29c
Weight average number of ordinary shares on issue	53,675,837	53,683,040
Net profit after tax	$5,453,000	$23,240,000

41. Parent Entity Information

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

Statement of Financial Position

	31 July 2018 $'000	31 July 2017 $'000
Assets		
Current assets	7,318	10,403
Non-current assets	344,069	308,163
Total assets	351,387	318,566
Liabilities		
Current liabilities	3,922	19,540
Non-current liabilities	128,863	82,770
Total liabilities	132,785	102,310
Net assets	218,602	216,256
Equity		
Issued capital	12,476	12,611
Capital profits reserve	90,503	90,503
Long term investment revaluation reserve	14,108	11,851
Asset revaluation reserve	1,591	1,037
Retained earnings	99,924	100,254
Total equity	218,602	216,256

Statement of Profit or Loss and other Comprehensive Income

	31 July 2018 $'000	31 July 2017 $'000
Net profit after income tax	6,112	25,358
Total comprehensive income	8,923	24,159

Parent entity contractual commitments
The Company has no contractual commitments other than uncalled capital commitments for private equities and commitments for construction works on investment properties as noted in note 35 (2017: Uncalled capital commitments for private equities as noted in note 35).

Parent entity contingent liabilities
The Company has no contingent liabilities at year end (2017: None).

Parent entity guarantees in respect to debts of its subsidiaries
The Company has not entered into any guarantees in respect to debts of its subsidiaries at year end (2017: None).

42. Reconciliation of Net Profit to Net Cash Inflow from Operating Activites

	31 July 2018 $'000	31 July 2017 $'000
Profit from ordinary activities after income tax	5,453	23,240
Amortisation	1,429	1,396
Depreciation	603	469
Impairment – equities	1,546	518
Net gain on sale of equities and private equities	427	(5,696)
Net loss on sale of property, plant and equipment	-	1
Net loss on sale of investment properties	11	-
Revaluation of investment properties to market value	(5,600)	(23,302)
Revaluation of equities and private equities to market value	(279)	318
Revaluation of derivative to market value	418	(367)
Borrowing costs relating to financing activities (derivatives)	1,584	-
Borrowing costs relating to financing activities (borrowings)	192	-
Other (expense) / income	-	(17)
Decrease / (increase) in receivables	(867)	(2,184)
Decrease / (increase) in prepayments	(184)	(475)
Decrease / (increase) in inventories	402	3,755
Increase / (decrease) in income taxes	327	5,435
Increase / (decrease) in employee entitlements	118	83
Increase / (decrease) in trade creditors and accruals	(1,368)	1,310
Net cash inflow from operating activities	4,212	4,484

43. Changes in Liabilities Arising from Financing Activities

Liabilities from financing activities	Opening balance – 31 July 2017	Cash flows from financing activities	(Gains)/ loss on disposal or revaluation (non-cash)	Borrowing costs expense (non-cash)	Borrowing costs capitalised (non-cash)	Closing balance – 31 July 2018
Derivatives[1]	733	(2,027)	418	1,584[3]	-	708
Borrowings[2]	58,353	33,685	-	192[4]	234[5]	92,464
		31,658[6]	418	1,776	234	

[1] Relates to current derivatives.
[2] Relates to current and non-current borrowings. Refer to note 24 and note 27.
[3] Relates to termination costs of embedded derivatives recorded as borrowing costs expense.
[4] Relates to non-cash interest expense recorded as borrowing costs expense.
[5] Relates to non-cash loan establishment fees.
[6] Relates to the following cash flows from financing activities for the year ended 31 July 2018:

-Proceeds from borrowings	33,764
-Repayments from borrowings	(79)
-Payments for derivatives	(2,027)
	31,658

44. Subsequent Events

No matter or circumstance has arisen since the end of the financial year other than the dividend declared (refer note 32), 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.

45. Other Information

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

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

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

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

Directors' Declaration

1. In the directors' opinion:
   (a) the consolidated financial statements and notes set out on pages 40 to 77 are in accordance with the Corporations Act 2001, including:
      (i) ccomplying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
      (i) giving a true and fair view of the Group's financial position as at 31 July 2018 and of its performance for the financial year ended on that date; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The notes to the consolidated financial statements include a statement of compliance with International Financial Reporting Standards.
3. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 31 July 2018 required by section 295A of the Corporations Act 2001.

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

Professor J. West
Director

Sydney
11 October 2018

J. E. Gowing
Director

Sydney
11 October 2018

HLB Mann Judd
Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Gowing Bros. Limited for the year ended 31 July 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

Sydney, NSW
11 October 2018

S Grivas
Partner

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HLB Mann Judd
Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the Members of Gowing Bros. Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Gowing Bros. Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 July 2018, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 31 July 2018 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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HLB Mann Judd

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of subregional and neighbourhood shopping centre investment properties and investment properties under development Note 18	
The aggregate fair value of the Group's subregional and neighbourhood shopping centre investment properties and investment properties under development as at 31 July 2018 is $248.661 million, representing 70.3% of the Group's total assets as at that date. The fair values of the Group's investment properties and investment properties under development were assessed either by management and /or assessed by management based on independent valuations prepared by an independent valuer. The valuation of the Group's investment properties and investment properties under development requires judgement and the use of subjective assumptions and estimates in determining fair value including selecting the appropriate valuation methodology, market rental rates, vacancy allowances and capitalisation rates and, for investment properties under development, an estimation of costs to complete the investment property. We have identified the valuation of the Group's investment properties and investment properties under development as a key audit matter because of the significance to the Group's consolidated financial statements and level of significant judgements and assumptions applied to determine fair value.	Our audit procedures to assess the valuation of investment properties and investment properties under development included: • assessing the competence, capability, experience, independence and objectivity of external valuers appointed by management. • evaluating the valuation methodology applied. • testing the reliability and reasonableness of inputs to underlying contracts and supporting documentation. • testing the appropriateness of assumptions and estimates with reference to historical rates and results, available market data and other supporting documentation. • checking the mathematical accuracy of valuation calculations. • for investment properties under development, evaluated management's estimated costs to complete with reference to construction contracts, quantity surveyor reports and other supporting documentation. • reviewing the Group's disclosures with reference to Australian Accounting Standards.
Valuation of Unlisted Equities Note 2, 15 & 16	
At 31 July 2018 the Group owned investments of $27.247 million in a number of unlisted equities which have been included in the Group's consolidated statement of financial position. Management assess the value of these investments at least annually, using various valuation techniques, such as a recent arm's length transaction, reference to other instruments that are of a similar nature and relying as little as possible on unobservable inputs. This is considered a key audit matter due to the significant judgment involved in assessing the valuation of these assets, as they are often traded in low volume markets.	Our audit procedures to assess the valuation of unlisted equities included: • assessing the valuation methodology applied by management. • reviewing valuation inputs including evidence of recent arm's length transactions and agreeing these transactions to external sources. • reviewing the Group's disclosures with reference to Australian Accounting Standards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 July 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLB Mann Judd

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 36 to 38 of the directors' report for the year ended 31 July 2018.

In our opinion, the Remuneration Report of Gowing Bros. Limited for the year ended 31 July 2018 complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Sydney, NSW
11 October 2018

S Grivas
Partner

Issues to Shareholders Since 19 September 1985

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

Circa 1870

Circa 1880

Circa 1900

Circa 1920

Circa 1969

Logo, 1980

Logo, 1991

Logo, 1993

Logo Adapted for Wynyard, 1996

Oxford store Logo, 1996

Logo 'over 130 years' 1998

Logo, 1998

Store brading Logo, 1999

Guarantee Logo, 1999

Corporate Logo, 1999

Web site Logo, 2000

Logo, 2002

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