EST 1868

GOWING BROS.LTD

Ted Gowing WWII 1942

149th Annual Report July 31 2017

Corporate Directory

Directors	Professor Jonathan West (Chairman) Mr. John Gowing (Managing Director) Mr. Sean Clancy (Non-executive Director) Mr. John Parker (Non-executive Director)
Secretaries	Mr. Garth Grundy 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 3, 60 Carrington Street Sydney NSW 2000 Phone: 1300 855 080 Fax: 61 2 8234 5050
Auditors	HLB Mann Judd (NSW Partnership) Level 19, 207 Kent Street Sydney NSW 2000 Phone: 61 2 9020 4000
ABN	68 000 010 471
ACN	000 010 471

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History and Innovation 1868 - 2017

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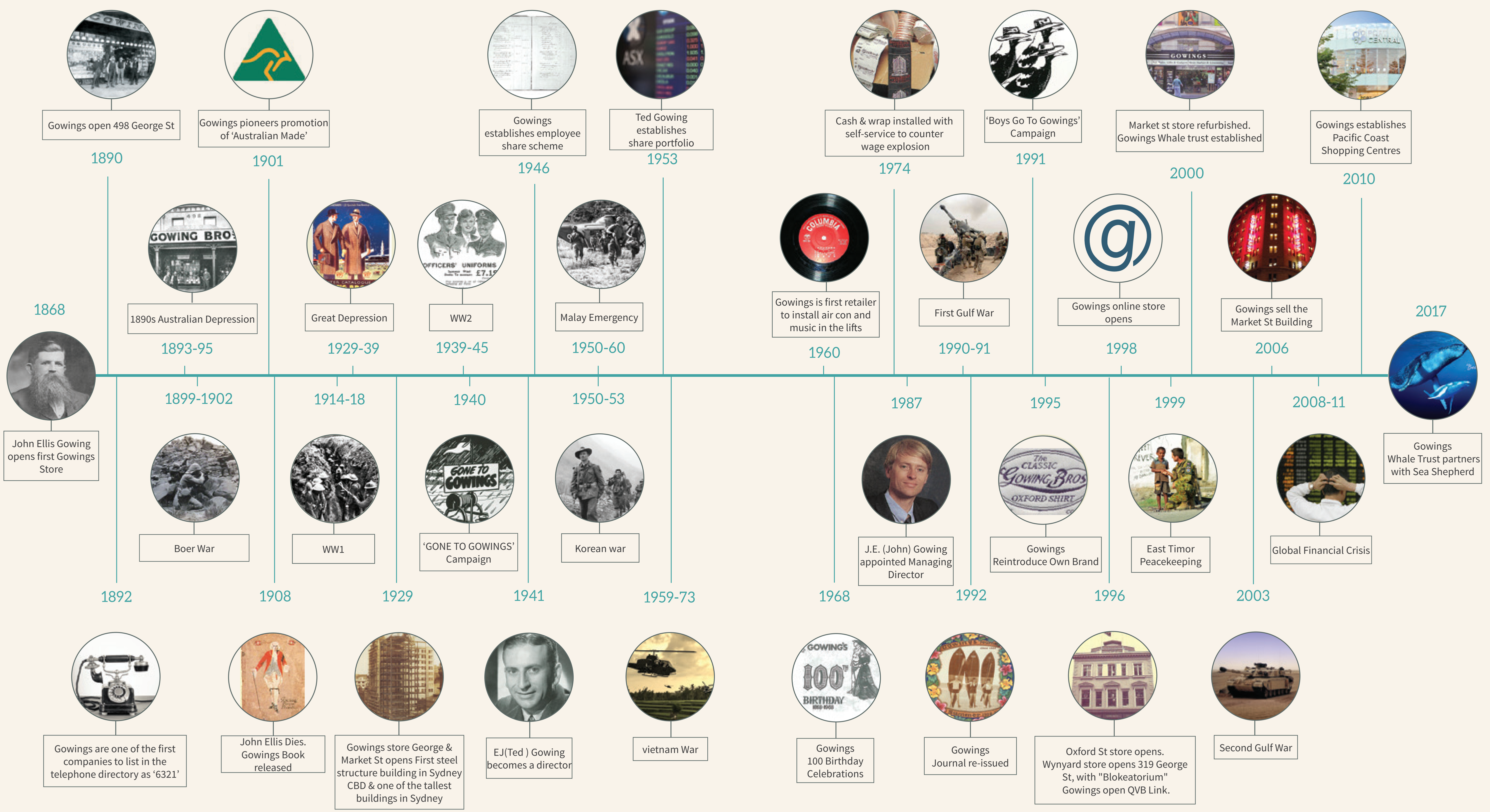


History

Preston and Isabel's wedding, 1907

The Gowing family started the company in 1868 and continues to use the company as its principal wealth creation and preservation vehicle.

The Company, under 4 generations of the Gowing family, has prospered through 149 years of economic booms and busts, world wars and market crashes.

The Company's origins were in retailing which soon led to significant property investments being made across Sydney's CBD. At one stage, the Gowings Market Street building completed in 1929 was the tallest building in the city.

Gowings also had an early interest in equity investments being one of the founding investors in Woolworths. In the 1950's, a significant re-allocation 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.

Gowings store, 1878. Charles Mac, left with toe on kerb; Preston Robert (wearing jacket) stands near the right post and John Ellis is the bearded gent, first to the right of the post.

About Gowings

Net Assets

£92,781 — 1928

$3.4M — 1972

$214M — 2017

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 2017 Gowings completed its 149th year of operations and is looking forward to celebrating 150 years in 2018. 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, all the Board of Directors and key senior management are shareholders, giving rise to our commitment 'Investing together for a secure future'

Transparent Communication

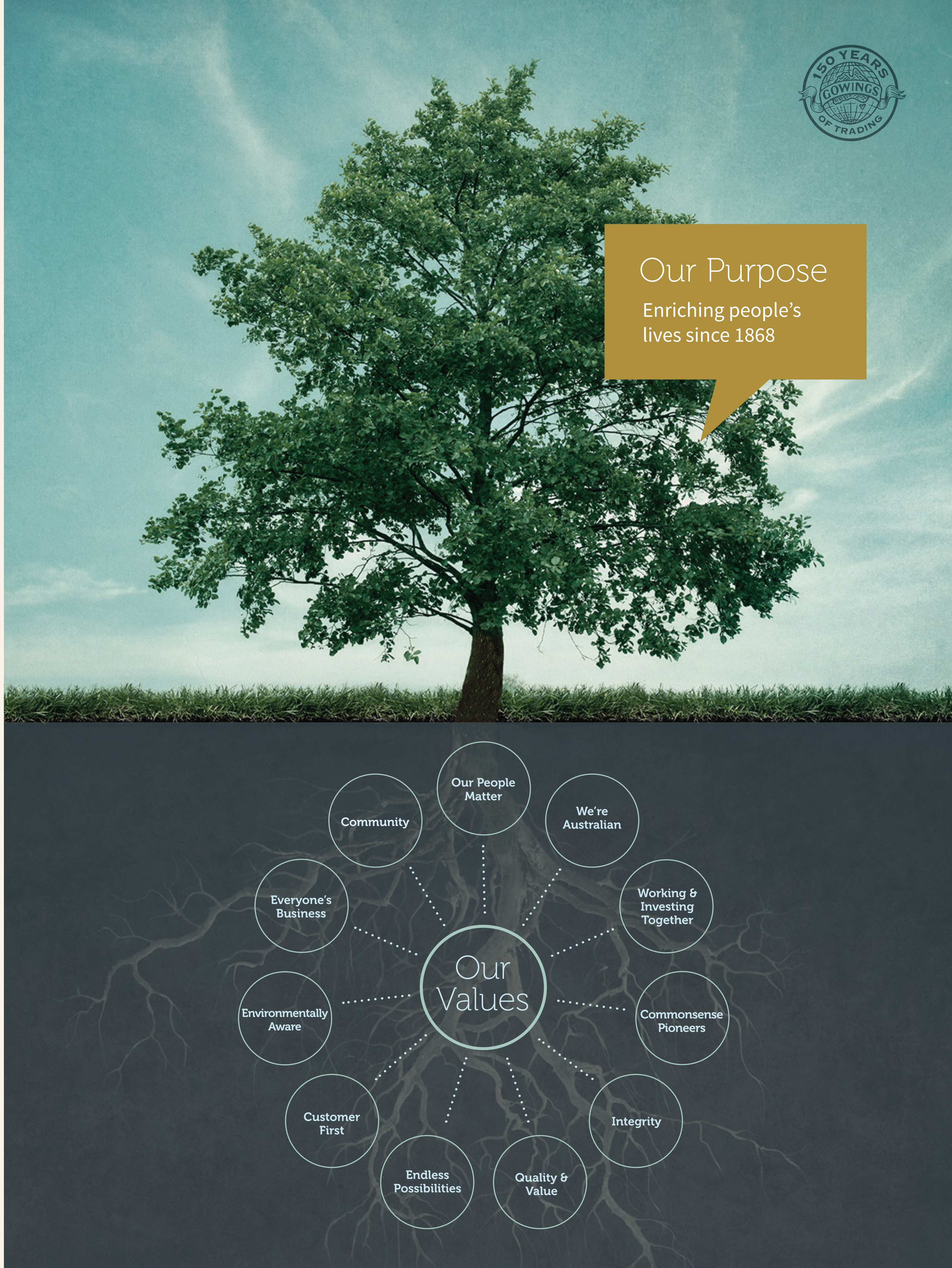
As an investor itself, Gowings values transparent information. An audit review is conducted half-yearly and formal audited financial statements are provided annually along with regular informal company updates.

All shareholder communication may be found at the Company's website www.gowings.com or on the Australian Securities Exchange'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.



Managing Director's Review of Operations

We have commenced our 150th year of operations which is a landmark year for a small company established by John Ellis Gowing in 1868. This is Gowings 149th Annual Report. The entrepreneurial spirit of the company has not waned over the years and if anything has accelerated over the last decade as we continue to position the company for a secure prosperous future.

My father, Ted Gowing, is featured on the cover this year. Following his return to Australia after five years as a WWll fighter pilot in England, Ted established the Gowings listed investment portfolio in 1952. Paving the way for continual growth of the company for the next 65 years.

Building the Team

During the year we have invested in human resources and inter-generational continuity. Robert Ambrogio has been appointed to the position of Chief Financial Officer, Belinda Flatters has been appointed to the position of Company Secretary and in-house legal counsel, Dominic Power has been appointed as a senior member of the property team and Christian Hay has been appointed to the position of Investment Analyst. We warmly welcome these appointments to the company.

Ellis Gowing and James Gowing have both accepted appointments as associate directors, this allows them to attend board meetings, to follow and learn the business and offer opinions, but not vote on matters before the meeting.

This expanded team and new talent allows us to progress our business plans in the areas of property, investment and financial management.

Key Developments

Some of the key developments during the year include the acquisition of:

- Surf Hardware International in December last year for $16 million;
- A DA approved 165 lot residential sub-division in Lyons Rd Sawtell for $9 million; and
- The Forestry Department's mixed-use development lot in the Jetty Precinct on Harbour Drive, Coffs Harbour for $3 million.

The Pacific Coast Shopping Centres

There has been a significant amount of work undertaken during the year to add value to the centres and improve the investment in the Pacific Coast Shopping Centre Portfolio.

At Coffs Harbour, following successful negotiations with Big W to surrender their lease we entered into a binding agreement with Kmart to take over an expanded and fully refurbished space. This refurbishment forms part of a $35 million upgrade and extension of the property. The ANZ bank has provided a flexible construction facility that transforms into long term finance when the construction is completed early next year.

At Moonee Marketplace, following the completion of the upgraded road access from the Pacific Highway we have undertaken a strategic leasing campaign resulting in the centre having over 90% occupancy.

At Port Macquarie, following an unsolicited letter of offer to purchase Port Central, we conducted a non-binding expression of interest campaign. Although we received a number of expressions of interest for Port Central, the Board decided it was in the best interests of shareholders to realise the longer term potential of the asset.

Over the last several months there has been a lot of media attention given to the threat to Australian retailers and shopping centre owners over the entrance of Amazon into the Australian market. In spite of this new entrant risk and the prospect of an higher interest rate environment, we have significant development opportunities to add and capture value for shareholders. Our regional shopping centres continue to evolve with a mix of local and national brands providing a one stop solution with food as well as lifestyle and fashion offerings to remain relevant as the main community hub in the regional towns in which we operate.

Murray Darling Food Company (MDFC)

As part of our strategy of building exposure to listed and unlisted agricultural companies in Australia, we formed part of a consortium to establish the MDFC in late 2016. MDFC purchased the 11,500 acres Burrawang West Station and the Dorper Stud situated on the Station. In July MDFC settled the purchase of Bombah, a 6,000 acres mixed use property near Condobolin in central NSW. The strategy for MDFC is to continue building capacity in grass fed and organic lamb production, and to build its own vertically integrated brand giving customers traceability between paddock and plate.

Financial Services

During the year the board made the strategic decision that for the Company to continue to grow and prosper over the next 150 years that we should leverage our investment expertise and succesful track record by allowing wholesale investors to invest alongside Gowings in ventures such as The Murray Darling Food Company. To this end we have initiated the process of applying for an Australian Financial Services Licence for wholesale investors.

Surf Hardware International

We have owned Surf Hardware International (SHI) for 7 months, and so far, the acquisition has been positive. The Board and senior management have engaged strategically with the largely autonomous senior management team at SHI. We have held 2 off-site strategic planning retreats in the last 4 months. There are a lot of opportunities for SHI and we are working to make sure they have the right resources to take full advantage of them.

Other Listed and Unlisted Investments

Our largest single investment following the sale of our long term holding in Blackmores last year continues to be our investment in Boundary Bend Ltd (BBL). Our investment in BBL has appreciated significantly over the years and is now valued at $14 million. BBL had a normalised EBITDA per share this year of 81 cents. Our original investment cost per share was $1. We sold a number of other non-strategic long term investments to fund the establishment of the capital works at Coffs Harbour. This accounted for the $5.7 million in capital gains on sale of shares from our long term equity portfolio.

The Gowings Whale Trust

The Gowings Whale Trust (GWT) continues to operate with a presence in both Port Central and Coffs Central centres. During the year GWT made a donation to the Sea Shepard to help with the purchase of "Whale Warrior" the chase boat for Sea Shepard's newly commissioned ship "Ocean Warrior". Both boats participated in last year's campaign to deter Japanese whalers from illegal whaling in the Antartic Ocean.

Overview of Current Year Financial Performance and Outlook

Last year's result which included the capital gain made on the sale of our investment in Blackmores was always going to be difficult to match. This year's result has been buoyed by further growth in the Pacific Coast Shopping Centre portfolio, resulting in unrealised gains of $23.2 million being brought to account. This performance will be difficult to replicate next year as we believe we are close to the top of the property cycle as reflected in the capitalisation rates. Further gains in value of our shopping centres will only be made by value adding activities.

Our investment portfolio remains well diversified providing a solid mix of income and capital growth. This is the first year since the GFC that the Company is near fully invested as we seek to take advantage of sound opportunities that will enhance shareholder wealth over the long term.

Following the acquisition of SHI, Gowings is now a truly global business, albeit in a small way. Despite escalating levels of public and private debt, business conditions currently appear favourable around the world.

Final Dividend

The directors have approved a final fully franked LIC dividend of 6c per share (last year 6c per share). Net income for ordinary activities after tax is the principal source of income to pay dividends. This has been steadily increasing over the last few years, however this year's net income has been impacted negatively due to rental abatements during the development work at Coffs Central. Given that we are fully invested and have extensive contracted capital expenditure for the redevelopment of Coffs Central the directors feel it is prudent to maintain the final dividend at 6c per share.

More details on the performance of Gowings and our investments can be found in the following pages of this report.

Key Highlights

Profit for the Year
$23.2m
Up 6.0% from 2016

Final Fully Franked Dividends
6.0¢
6.0 cents in 2016

Total Shareholder Return
+13.2%
Net asset increase per share plus dividends

Total Net Assets
$214.0m
$198.6 million in 2016

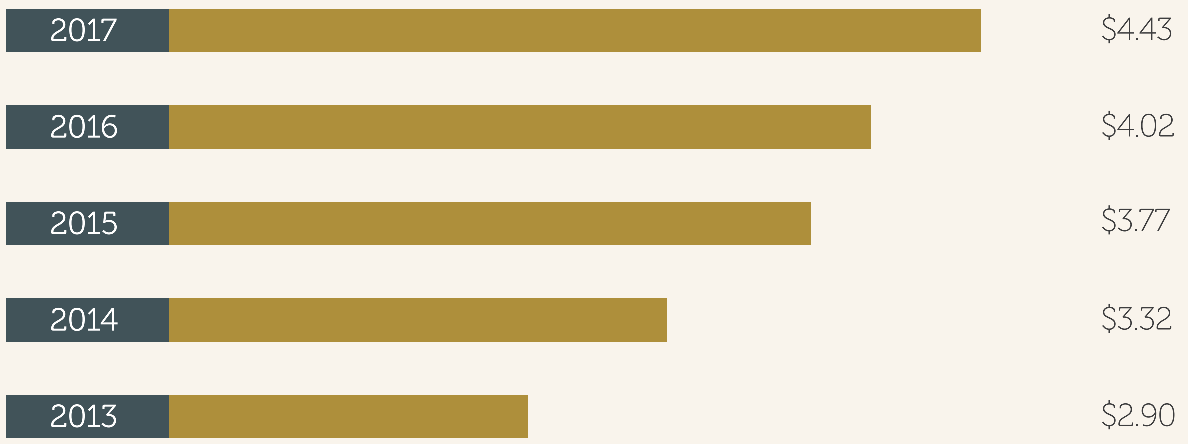
J. E. Gowing
Director
Sydney
28 September 2017

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 2017.

Financial Review

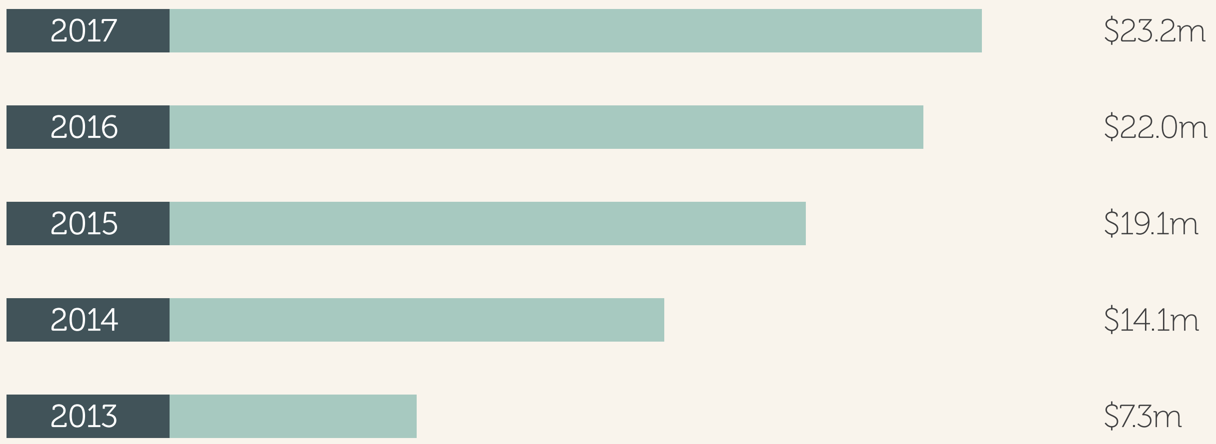
Net Assets per Share



Net assets per share before tax on unrealised gains increased 10.2% to $4.43 as at 31 July 2017 after the payment of 12c in dividends. Total Shareholder Return was 13.2% including the growth in net assets per share plus dividends paid to Shareholders.

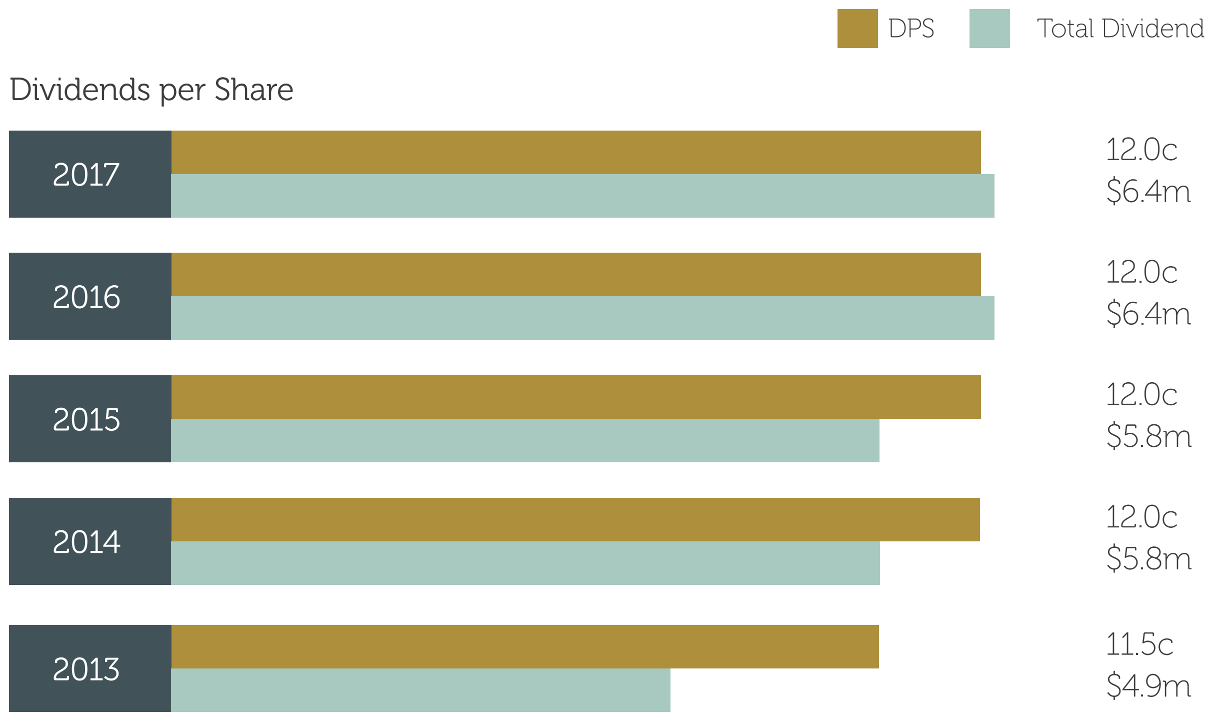
Net assets per share have grown strongly over the past 5 years driven by continued growth in our Pacific Coast Shopping Centre portfolio as well as solid returns achieved in the Equity portfolio.

Net Profit After Tax



Net Profit After Tax for the year ended 31 July 2017 includes underlying income from ordinary activities such as rent, interest and dividends. This year's profit was bolstered by the capital profit made on share sales within our equity portfolio and the revaluation upwards of the Company's investment in the Pacific Coast Shopping Centre portfolio as reflected in the Statement of Profit or Loss.

Dividends per Share



The Company paid a total of 12c in fully franked LIC dividends for the 2017 year.

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.

Shareholders will be aware that the LIC franking status passes on the benefit of an LIC capital gain through to eligible Shareholders who may receive up to a 50% reduction in their assessable taxable dividend income depending on their income tax status.

Key Metrics

For the year ended	31 July 2017	31 July 2016	31 July 2015	31 July 2014	31 July 2013
Net Assets	$214.0m	$198.6m	$186.8m	$170.2m	$157.2m
Net Assets per Share					
- Before tax on unrealised gains	$4.43	$4.02	$3.77	$3.34	$2.99
- After tax on unrealised gains	$3.93	$3.70	$3.47	$3.16	$2.92
Net profit after tax	$23.2m	$22.0m	$19.1m	$14.1m	$7.3m
Earnings per Share	43.29c	40.92c	35.48c	26.10c	13.50c
Dividends per Share	12.0c	12.0c	12.0c	12.0c	11.5c
Total Shareholder Return	13.2%	9.8%	16.3%	15.2%	9.5%

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 $1,559,167 in 2017.

A Strong Investment Over Time

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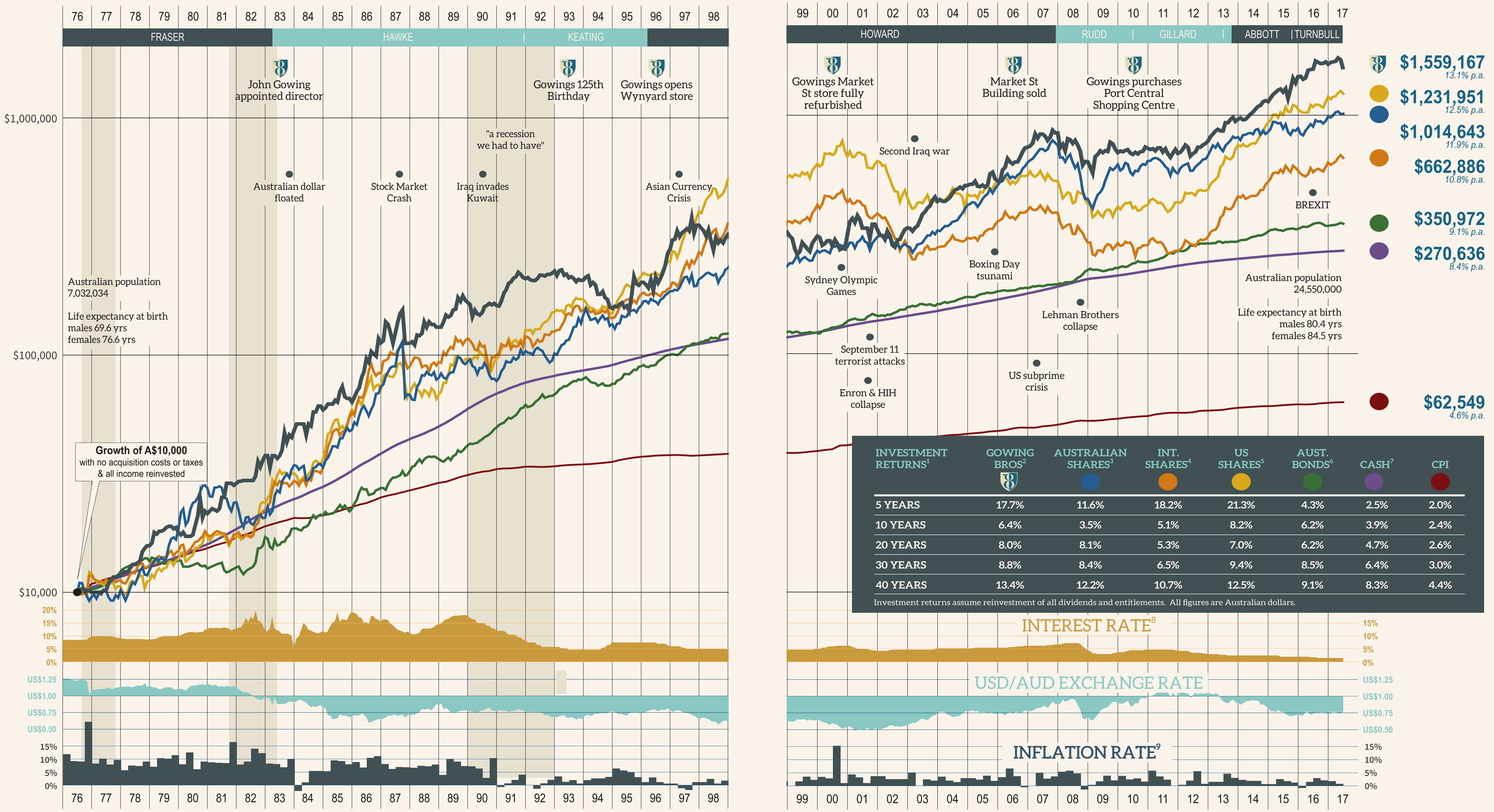


INVESTMENT RETURNS[1]	GOWING BROS[2]	AUSTRALIAN SHARES[3]	INT. SHARES[4]	US SHARES[5]	AUST. BONDS[6]	CASH[7]	CPI
5 YEARS	17.7%	11.6%	18.2%	21.3%	4.3%	2.5%	2.0%
10 YEARS	6.4%	3.5%	5.1%	8.2%	6.2%	3.9%	2.4%
20 YEARS	8.0%	8.1%	5.3%	7.0%	6.2%	4.7%	2.6%
30 YEARS	8.8%	8.4%	6.5%	9.4%	8.5%	6.4%	3.0%
40 YEARS	13.4%	12.2%	10.7%	12.5%	9.1%	8.3%	4.4%

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 2016, to 30 June 2017. Five, Ten, Twenty, Thirty and Forty-year returns are per annum returns to 30 June 2017. 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 Jul 2017 $'000	31 Jul 2016 $'000	Movement
Net Income from Ordinary Activities			
Interest income	672	306	120%
Investment properties	8,810	8,794	0%
Equities	1,173	1,587	-26%
Surf Hardware International (7 months)	802	-	n/a
Total Net Income from Ordinary Activities[1]	**11,457**	**10,687**	**7%**
Head Office Expenses			
Administration	1,482	1,177	26%
Depreciation	136	133	2%
Employee benefits	1,878	1,718	9%
Public Company	543	609	-11%
Total Head Office Expenses[2]	4,039	3,637	11%
Profit from Ordinary Activities	**7,418**	**7,050**	**5%**
Gains / (losses) on sale or revaluation			
Investment Properties - Unrealised Gains[3]	23,302	7,665	204%
Equity - Realised Gains	5,696	18,581	-69%
Equity - Unrealised impairment	(518)	(1,640)	68%
Managed Private Equities	(145)	1,199	-112%
Derivatives	367	(1,100)	-133%
SHI Subsidiary Acquisition			
Acquisition Costs	(473)	-	n/a
SHI - Consolidation acquisition cost of sales adjustment[4]	(2,578)	-	n/a
Other			
Consulting Costs[5]	(120)	-	n/a
Other Costs	(25)	(310)	92%
Profit Before Tax	**32,924**	**31,444**	**5%**
Income tax expense	(9,684)	(9,455)	2%
Profit After Tax	23,240	21,990	6%

Notes

[1] **Total Net Income from Ordinary Activities** of $11.5 million was 7% higher than in the prior corresponding period due to the acquisition of Surf Hardware International.

[2] **Total Head Office Expenses** of $4.0 million were 10% higher than the prior corresponding period largely due to an increase in administrative expenses due to planning and analysis work completed around strategic initiatives, and increase in employee head count to bolster resources to execute those plans.

[3] **Investment properties – unrealised gains** of $23.3 million were 204% higher than the previous period mainly due to the revaluation of the Pacific Coast Shopping Centre Portfolio.

[4] **SHI – Consolidation acquisition cost of sales adjustment** – GBL acquired Surf Hardware International on the 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, $2.6 million has been recorded as cost of sales as at 31 July 2017.

[5] **Other Consulting Costs** of $0.1 million represents consulting costs associated with the sales campaign for Port Central.

Managing Director's Review of Operations

Gowings at a Glance

	31 July 2017 $'000	31 Jul 2016 $'000
Strategic Equity Investments		
Surf Hardware International	16,000	-
Boundary Bend Limited	13,961	10,071
Carlton Investments	5,521	5,528
Hydration Pharmaceuticals	2,003	2,659
Murray Darling Food Company	2,045	-
TPI Enterprises Limited	2,801	1,933
Event Hospitality Group	1,578	1,180
DiCE Molecules	1,230	1,349
Hexima	749	574
EFTsure	250	-
Other listed investments	3,831	24,480
Total	46,969	47,774
Private Equity Funds		
Macquarie Wholesale Co Investment Fund	884	1,152
OurCrowd Australia	1,092	777
Our Innovation Fund	750	-
Five V Capital	300	-
Other Private Equity Funds	275	750
Total	3,301	2,679
Pacific Coast Shopping Centre Portfolio		
Sub-regional shopping centres	173,280	147,747
Neighbourhood shopping centres	45,300	34,238
Borrowings	(56,023)	(47,000)
Total	162,557	134,985
Other Direct Properties		
Sawtell Heights Estate - residential subdivision	9,044	-
Solitary 30 - Coffs Harbour development land	3,190	-
Other Properties	16,365	16,947
Borrowings	(1,675)	(1,775)
Total	26,925	15,172
Cash and Other		
Cash	5,886	20,997
Investment lending facility	3,000	2,003
Tax liabilities	(7,067)	(8,294)
Surf Hardware International consolidation impact[1]	(1,581)	-
Other assets & liabilities	(3,621)	583
Total	(4,834)	15,289
Net assets before tax on unrealised gains on equities and investment properties	**237,918**	**215,899**
Provision for tax on unrealised gains on equities and investment properties	(23,942)	(17,319)
Net assets after tax on unrealised gains on equities and investment properties	**213,976**	**198,580**

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

Managing Director's Review of Operations

Pacific Coast Shopping Centre Portfolio

The highlight of the current year is continued growth in the underlying value of the Pacific Coast Shopping Centre Portfolio.

Coffs Central

In February, Gowings commenced a $35 million development of Coffs Central which includes the extension of the centre to the adjoining site on the corners of Harbour Drive, Gordon and Vernon Streets. It also includes a reconfiguration of the first floor following the surrender of the BigW lease, allowing for a new full line Kmart and an additional 20 specialty stores. The development also includes additional carparking and two levels of commercial office space. Approval has been received from the State Government regional planning authority to build an 80 room hotel on top of the commercial office space. Allowance has been made in the foundations of the redevelopment to accommodate the approved hotel. We are optimistic that the hotel will meet our investment hurdle rates, however presently we are still in the process of preparing feasibility analysis.

Moonee Marketplace

The leasing and repositioning upgrade at Moonee Marketplace is nearing completion and has borne fruit during the period with the centre going from less than 30% occupancy 18 months ago to over 90% occupancy today. New retailers include: Moonee Beach Early Learning Centre; Swim Care; Nourished Earth; Maggie's Dog Café; The Katsby World of Fashion and Aloy Dee Thai Street Food. Moonee Marketplace is an illustration of the Gowings approach to partnering with local operators to successfully lease shopping centres. Post year end there are a further six new retailers that are expected to be trading by Christmas. This leasing approach is very important from a strategic perspective because it results in a higher quality retail offer which translates into a higher return on investment over the long term. The significant improvement in occupancy has resulted in an increase in positive cashflow for the centre with an associated material appreciation in the underlying value of the centre.

Port Central

As shareholders know, we recently concluded an on-market expression of interest (EOI) campaign for the potential sale of Port Central. Whilst we were pleased with the EOIs received, we believe that the value to shareholders is greater over the long term through retaining ownership and realising the full potential of the asset, particulary when considering the opportunity cost of stamp duty and capital gains tax that would have been incurred had the sale proceeded. Retaining Port Central also re-enforces the strategic benefits of the portfolio and stability of income.

Kempsey Central

Kempsey Central continues its retail turn-around anchored by Coles whose sales are growing at a greater rate than its national average. As shareholders would recall, we partnered with Council and a local cinema operator to win a $2 million Federal Government grant to build a cinema to deliver economic benefits to the city centre of Kempsey. Frustratingly, however, the cinema public-to-private partnership has still not received final approval by the NSW Office of Local Government. As well as securing a new tenant in the centre, the proposed cinema will strategically drive foot traffic and attract Kempsey's large tourist population into the centre.

Managing Director's Review of Operations

Strategic Equity Investments

Surf Hardware International ($16 million)

On the 16 December 2016, the company made an investment in Surf Hardware International (SHI), a manufacturer and global supplier of surf-related products under four highly recognised brands including FCS, Gorilla, Softech and Hydro.

SHI was acquired for a total net consideration of $16 million with $10 million paid on 16 December 2016 and a deferred consideration amount of $6 million paid on 30 June 2017. SHI is a profitable business and is earnings accretive for Gowings.

SHI delivered a EBITDA result of $2.0 million for the year ended 30 June 2017, and GBL has consolidated an EBITDA of $1.5 million for the 7 months from 16 December 2016 to 31 July 2017 before any inventory acquisition revaluation adjustments impacting cost of goods sold which are required to adhere to AASB 3 "Business Combinations".

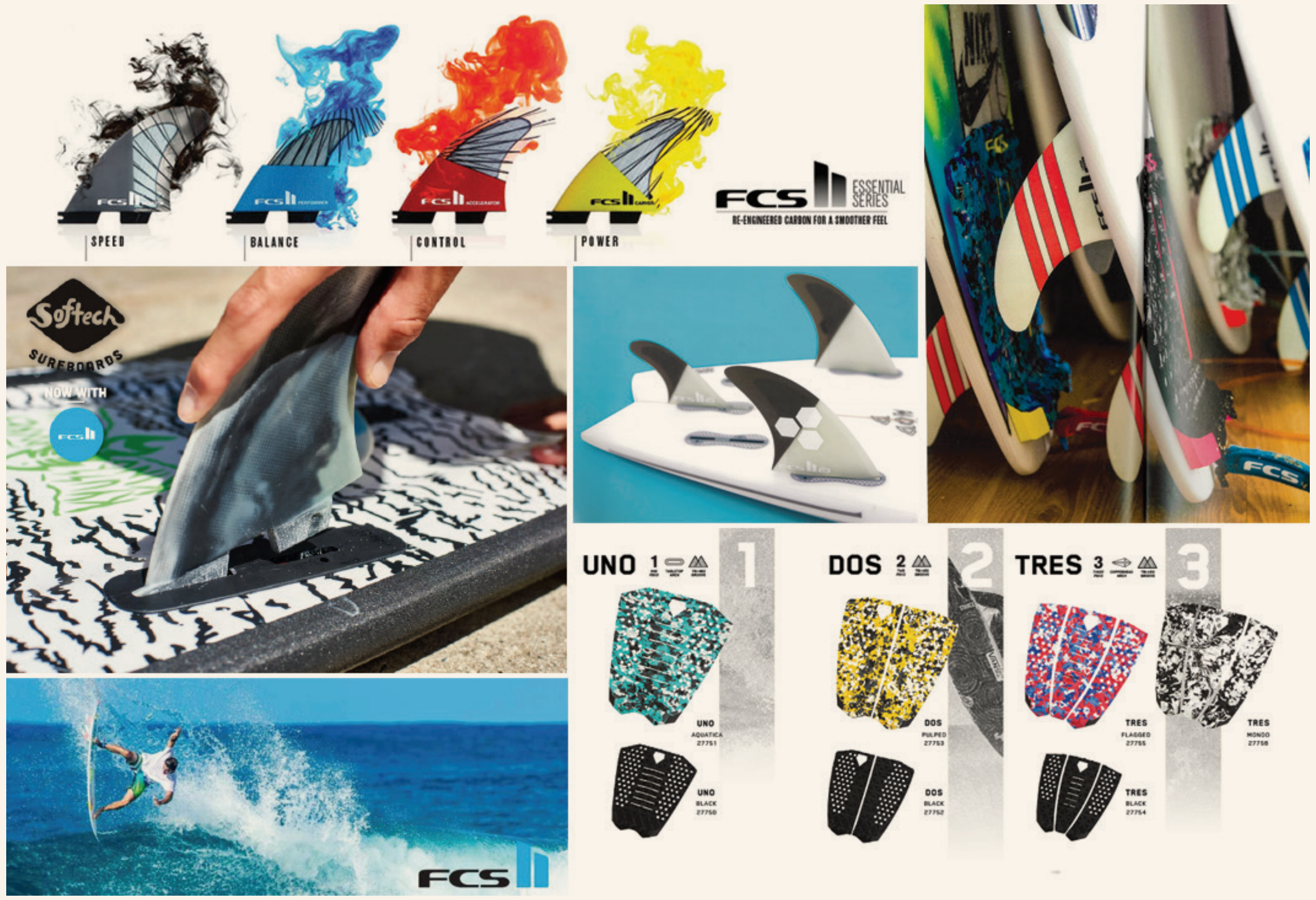
The FCS brand began in the early 1990's when SHI invented the detachable surfboard fin system, an innovation which would revolutionise the way surfboards were manufactured and ridden forever. FCS is a global leader in water board sports accessories and commands a market leadership position in fin systems and fins.

The Gorilla brand was established in 1988 following the introduction of the revolutionary 'Rocket Block' providing surfers with an alternative to wax and paving the way for surfboard grip, and the Softech Soft board and Hydro Bodyboard brands which were acquired by SHI in 2010.

See below for a review of the current years operation from Michael Heath, General Manager of SHI.

During the year the business experienced some challenges with Surfboard and Stand Up Paddle Board (SUP) manufacturing down in key global markets and difficult retail conditions in the US and Australia.

Despite this, growth was achieved in the key category of FCS II retail premium fins, along with the recently relaunched FCS Traction range and Softech soft boards continued to experience strong growth.



At a regional level, while the challenges in the US market impacted its results, growth continued in Australasia, Europe (which included the recent integration of the key UK market previously managed under a distribution arrangement) and the Japanese business continued its growth momentum.

FCS II patents were secured in the key US market along with Japan and are expected to proceed to grant in Australia and Europe in the near term providing the company with a key strategic advantage in the all-important production plug and retail premium fin markets (the core of the company's business and a key growth driver over the past 3 years).

FCS athletes performed well during the year collecting 3 WSL event victories and a total of 16 events were won by surfers riding the FCS II system and fins. In total, 54 events and 11 world titles have now been won by surfers riding the FCS II system and fins.

During the year Kolohe Andino also joined the FCS team as a 100% athlete alongside other key global athletes including world champion Gabriel Medina, Julian Wilson, Filipe Toledo, Jeremy Flores and Sally Fitzgibbons.

Looking ahead, the business is planning the release of the FCS "Freedom Leash" in the coming 12 months, a key innovation project that will drive growth in the leash category along with further positioning FCS as the global leader in performance surf hardgoods.

New product launches are also planned across the balance of the brand portfolio including the launch of the FCS II system into the Softech softboard category, an industry first and key strategic initiative designed to further drive retail premium fin sales and a new offering of grip will be launched under the Gorilla brand, a key category focus moving forward.

Launching a new brand tagline for the FCS brand will be a key marketing initiative in the next 12 months providing the brand with a platform for communicating one consistent marketing message globally.

Additionally, the business is planning to invest in additional product resources in order to accelerate the product development process along with additional investment in the marketing and communication of its brand portfolio, each initiative designed to drive earnings growth in the medium term.

Managing Director's Review of Operations

Strategic Equity Investments

Murray Darling Food Company ($2 million)

In December 2016, Gowings formed a partnership with agricultural operators to undertake an investment into establishing a vertically integrated organic grain fed lamb business.

As long term shareholders would know, Gowings has a view that agriculture will be a long term beneficiary of our world's growing population and rising living standards. Having said that, agriculture is a difficult and volatile investment class often met with loss. Gowings was an early investor in both Tassal and Boundary Bend which generated significant returns over the years and we see many potential similarities to the present opportunity.

Gowings believes that the organic and grass fed lamb market has the potential to provide for superior returns with a lower degree of risk compared to many other agricultural assets. Over the long term, the risk will be further mitigated and returns enhanced through establishing a vertically integrated business including branded meat sales. The central investment thesis to this is a relatively new breed of sheep which is more productive and resilient compared to traditional Merino wool and sheep meat. In this respect we have partnered with one of Australia's leading Dorper studs to establish MDFC. MDFC raised $12 million including an initial $2 million cornerstone investment from Gowings. MDFC acquired its first asset being Burrawang West Station a Dorper lamb stud based in Ootha, western NSW. In January it commenced operations with sale of 100 Rams with an average price of $2,900 per ram. There has also been investment into DNA and IT equipment to efficiently manage the stud operations.

MDFC's first 6 months of operations to 30 June 2017 netted both financial and breeding results above expectations. The stud is gearing up for a promising ram sale in October 2017 at Burrawang West Station. In July 2017, MDFC settled on "Bombah", a 6,000 acres property in Condobolin that will complement the current operations at Burrawang West Station.

MDFC management succesfully converted Bombah's existing wheat operations to a higher yielding sheep station.

TPI Enterprises Limited ($2.8 million)

TPI Enterprises (TPI), manufactures pharmaceutical grade morphine and successfully moved its manufacturing facility from Tasmania to Victoria. TPI was originally a private equity investment of Gowings prior to its listing last year. TPI is uniquely placed to capitalise on the supply gap in the market for pharmaceutical grade morphine due to its global leading efficient production process. During the year TPI announced two key licence and permit milestones which are central to TPI's expansion into the UK, Europe and other open markets.

In March 2017, TPI announced a placement to raise approximately $44 million in capital in which Gowings invested a further $0.6 million. In July 2017, TPI reached a binding agreement to acquire for $25.4 million the opiates and tableting division of Vistin Pharma, making TPE one of only four fully integrated manufacturers of opiate based pharmaceutical products globally.

To help fund this acquisition TPI conducted an equity offering to raise $18 million in which Gowings invested a further $0.3 million.

Hexima ($0.7 million)

Hexima is an Australian biotechnology company focused on the research, development and commercialisation of anti-fungal technology for both plant and human applications.

The company's first significant commercial product-development project is a breakthrough treatment for onychomycosis (fungal nail infections), a US$3.2 billion global market. Preclinical data indicate that the company's lead molecule, HXP124, enjoys multiple potential advantages over current onychomycosis therapies, in particular the ability to penetrate nails rapidly when applied topically and kill cells faster and at lower concentrations than current drugs.

The company is proceeding to clinical trials for this product in 2017. It is in advanced discussions with possible global partners to bring the potential drug to market.

Managing Director’s Review of Operations

Strategic Equity Investments

Boundary Bend Limited ($14 million)

Boundary Bend Limited, an unlisted public company, is Australia’s largest vertically integrated olive-oil producer, wholesaler, and consumer marketer. Boundary Bend owns the well-known brands Cobram Estate and Red Island. It is now the Company’s 2nd largest equity investment, having more than doubled in value during the year.

In July this year, the company completed its olive harvest, which yielded 89,000 tonnes of fruit, producing 13.2 million litres of oil. This compared to approximately 55,000 tonnes of fruit in 2016, producing 9.7 million litres of oil. For the 2016 financial year Boundary Bend reported an operating cashflow surplus of $12.4 million (up from a surplus of $6.0 million in FY15).
The company also commenced two major growth initiatives: launch of the Cobram Estate brand in the USA, including construction of a substantial processing facility in America’s olive heartland, California; and the launch of a new olive-products business, including supplements and other products derived from olives and olive leaves.

In Australia, Aldi supermarkets announced in January this year that it will commence stocking all three Cobram Estate styles (Light, Classic, and Robust) in 500ml bottles. Significantly, Aldi’s policy is to stock almost exclusively “home brand” products in its stores, with third-party brands carried only when the company believes customers will defect to other supermarkets if Aldi doesn’t include them. The list of brands in Australia that meet this criterion is a Who’s Who of household names including Arnotts, Milo and Vegemite.

Hydration Pharmaceuticals ($2 million)

The Hydration Pharmaceuticals Trust owns the global rights to the Hydralyte brand, Australia’s leading oral rehydration product. The company’s current focus is establishing its brand in North America. It has formed a major distribution partnership in the US with The Emerson Group, a foundation investor in the business.

Hydration Pharmaceuticals successfully launched its range of products in the US earlier this year. The Hydralyte product, which is well known in Australia, has been well received in the US, however it is still very early days. The brand has also launched in Canada, and in 2016 achieved year-on-year growth of more than 35%.

Carlton Investments ($5.5 million) and Event Hospitality Group ($1.6 million)

Carlton Investments and Event Hospitality are essentially related investments. Gowings has been a very long term investor in Carlton Investments whom prior to the sale of the Gowings Building on the corner of Market and George Streets were our next door neighbours. Gowings had in fact sold the State Theatre site to the forerunner of Amalgamated Holdings Ltd in the late 1920s. These companies are very well run, with significant strategic property holdings in Sydney CBD, as well as significant exposure to the Australian, New Zealand and German tourism and Cinema markets. In April 2017 Event purchased 458-472 George Street Sydney which now gives them control of the south-eastern corner of George and Market Streets in Sydney, and subject to Council approval will look to add value through future redevelopment.

Managing Director’s Review of Operations
Strategic Equity Investments

DiCE Molecules ($1.3 million)

DiCE Molecules is a US biotech company with unique technology to identify cures for currently incurable diseases. In 2016, the company announced a successful agreement with Sanofi, the largest French Pharmaceutical company, to utilise DiCE’s technology. The Sanofi agreement validated DiCE’s frontier technology, and provided substantial financial support to further its research and development efforts.

In 2017, the company is likely to announce another substantial partnership with a global pharmaceutical company, and will continue to pursue its own candidate drug molecules.

EFTsure ($0.3 million)

EFTsure is an Australian owned IT company incorporated to deliver electronic payment authentication services to its customers. EFTsure provides an innovative, cost-effective and specialised software solution to businesses validating the integrity of their payment data ensuring prior that the name of the Payee matches the BSB and account number prior to making an EFT payment. Gowings holds a small holding in the company and Our Innovation Fund (in which Gowings is also an investor) made a subsequent commitment at the same valuation metrics as Gowings.The EFTsure customer base has grown and a number of strategic alliances, most notably with PwC, have been formed to target sales growth.

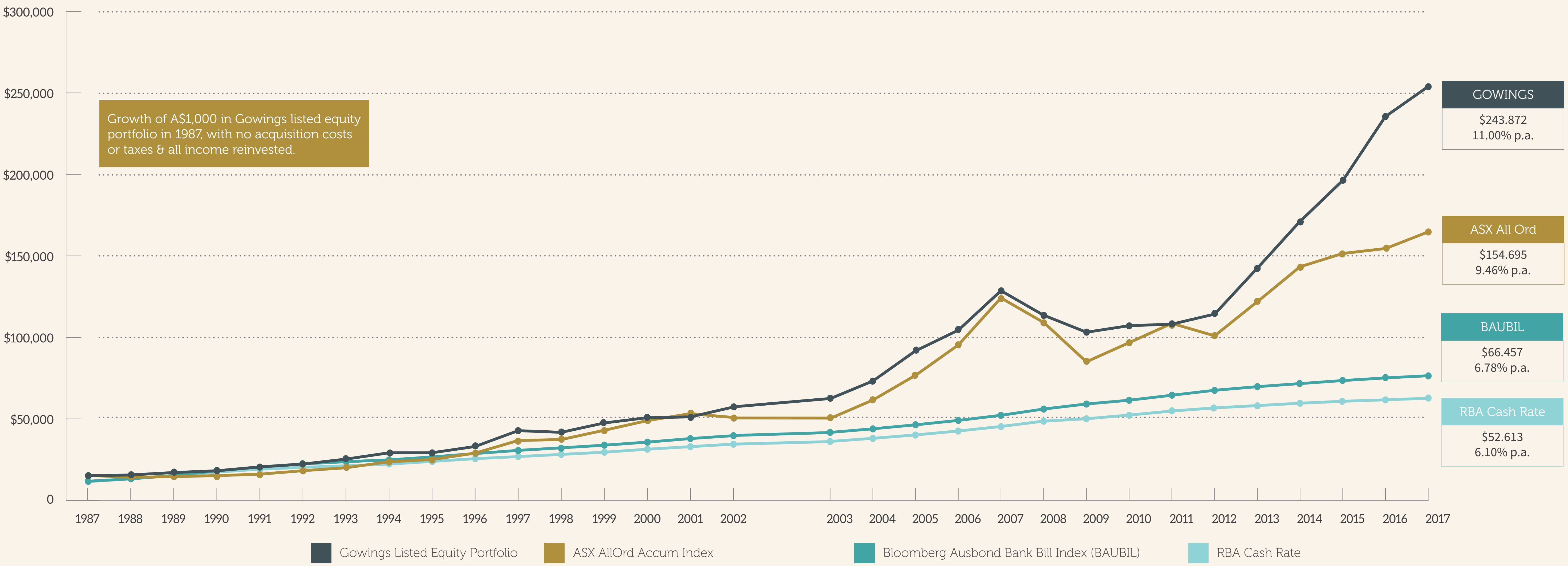
EST 1868
GOWING BROS.LTD

Growth Rate of Listed Equity Portfolio

From 1987 To 2017

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

Year		Returns
1988	Oct 1987 - known as 'Black Monday', the global stock market crashed. Gowings has still been informed by ASX that its shareholders, for the 4th year in succession, achieved a better return than most investors in the market.	51%
1991	Gowings took advantage of undervalued shares in the stock market and added $2M worth of shares to its investment portfolio	13%
1995	Gowings sold off its investment in Lavington Shopping Centre. The sale generated a healthy profit sufficient to meet Gowings' capital investment plans over the next few years.	15%
1998	Many large capitalisation stocks moved up in valuations which were considered unsustainable. Subsequent weakness and unprecedented volatility in the Australian and world equity market has made Gowings' decision to realise these investments timely.	-2%
1999	Gowings began actively reviewing its investments in the wholesale and venture capital markets. First step in this direction is a commitment at wholesale level to Macquarie Direct Investment, a subsidiary of Macquarie Bank.	14%
2000	Gowings gained exceptional returns from its private equity investment in Open Telecommunications 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 our shares portfolio to approximately 25%.	14%
2007	Investments with increment in market value over the last one 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. Realised Gains includes 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 its cost at market value of $4M while Carlton Investment more than tripled its cost with 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 our 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.	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%



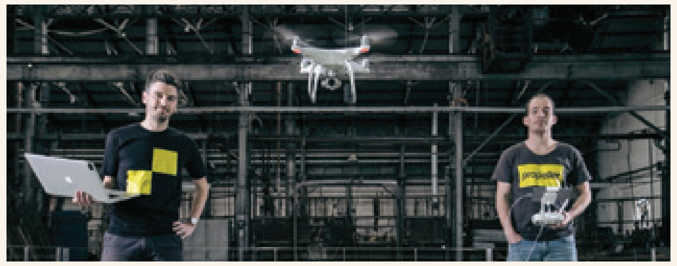
Managing Director's Review of Operations

Private Equity Funds

OurCrowd Australia ($1.1 million)

OurCrowd is the leading global equity crowdfunding platform 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 invested over $400 million into 110 portfolio companies and funds. Gowings has made a $US 0.9 million investment into OurCrowd of which $US 0.6 million has been deployed across 20 projects of our choice at varying startup stages with the remaining $US 0.3 million remains available to deploy.

Our Innovation Fund ($0.8 million)



Our Innovation Fund is a newly established incorporated limited partnership which will invest in early stage businesses with innovative, high growth or disruptive technologies, processes, systems or intellectual properties which have significant market potential. The Fund will seek to make investments throughout various stages of company development (from seed through to early expansion), with particular 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.

During the 2016 financial year period Gowings made a $1.5 million commitment to Our Innovation Fund. The fund has so far made 3 investments including a $1 million commitment of the fund total of $50 million in EFTsure as discussed above. In April 2017, a second capital call was announced and Gowings invested a further $0.4 million to bring the total investment to $0.8million. This fund is structured to take advantage of the Innovation Package tax breaks. The fund is being run by the team behind OurCrowd Australia, with whom Gowings has a strong business relationship.

Macquarie Wholesale Co Investment Fund ($0.9 million)

Macquarie Wholesale Co Investment Fund was established as a specialist investment vehicle formed for the purpose of making co-investments in Australian and New Zealand unlisted companies and assets across a range of industries, and making secondary investments, primarily in Australia where available. The funds current major investments are in Hirepool New Zealand's largest equipment rental provider and SMABBQ a merger of Super A-Mart (SAM), a leading furniture and bedding retailer with BBQ's Galore (BBQ), a barbeques and outdoor furniture retailer. SMABBQ has continued strong earnings growth and is positioned for an IPO in the second half of 2017. Currently Gowings investment in the fund is valued at $0.9m.

Five V Capital ($0.3 million)

Five V Capital Fund 2 has been set up and managed by Adrian McKenzie, an experienced Australian venture capital manager with whom Gowings have enjoyed a long relationship. Gowings have committed $1 million to Five V which also gives us co-investment rights in fund investments should there be additional capacity. The fund was structured to give free carry of 20% of the performance fee due to the manager from fund 1, ensuring an alignment of interests.
The principals of Five V have committed $10 million of their own capital to Fund 2, also driving an alignment of the commercial interests between the managers and investors.

In March 2017, Five V completed its first investment in Unified Health Group (UHG), an IT company that provides Australia's leading B2B healthcare platform helping large corporates such as insurers, law firms and corporates search, book, pay and securely manage health information and services from healthcare providers. Gowings share of this investment is $0.2 million and additionally made a further co investment of $0.1 million. Five V has been investigating further investments in a range of different sectors and is looking to finalise a deal with a business operating in the cyber security sector.

Managing Director's Review of Operations

Other Direct Properties

Solitary 30 – Development Site

Gowings purchased a 3,000m2 development site for $3 million at the prominent Jetty Village in Coffs Harbour.
The site boasts 270 degree water views and is surrounded by cafes and restaurants and is considered to be one of the best development sites in Coffs Harbour.

The site has some potential heritage issues that are to be addressed as part of the upcoming development planning phase. The best development use is still being evaluated with current zoning permitting any combination of residential apartments, hotel and mixed retail.

Sawtell Heights Estate – Residential Subdivision

Lyons Road is a 165 lot approved residential sub-division located in the south of Coffs Harbour acquired for $ 9 million in December 2016. We are in the process of preparing a new development application to increase the lot yield and improve the quality of offer. Works are due to commence in late 2017 with pre-sales anticipated for mid-2018. Since acquisition, the supply of residential land in Coffs Harbour has tightened and we are optimistic of achieving pre-sales at favourable prices upon release.

The Board of Directors

Jonathan West

Chairman and Non-executive Director
Bachelor of Arts, PHD (Harvard)
Shareholdings: 397,581 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 for HLB Mann Judd Chartered Accountants in the business advisory division, 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

Garth Grundy

General Manager and Company Secretary
Bachelor of Commerce, CA, F Fin
Shareholding: 349,707 shares

Garth has 24 years of investment and corporate advisory experience gained from his past employment with Ernst & Young, Arthur Andersen, Coyne Capital and Hindal Corporate.

Garth is a Fellow of the Financial Services Institute of Australia and of the Institute of Chartered Accountants in Australia and New Zealand.

Robert Ambrogio

Chief Financial Officer
Bachelor of Economics, CA
Shareholding: Nil

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.

General Counsel

Belinda Flatters

General Counsel and Company Secretary
Dip Law SAB, FGIA FCIS
Shareholding: Nil

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 2017.

Results

For the year ended	31 July 2017 $'000	31 July 2016 $'000
Operating profit for the year before income tax	32,924	31,445
Income tax expense	(9,684)	(9,455)
Net profit after income tax	23,240	21,990
Net profit attributable to members of Gowing Bros. Limited	23,242	21,990

Dividends

$3,220,816	$3,220,816	$3,221,268	$3,221,532
A final fully franked LIC dividend of 6.0 cents per share is to be paid to shareholders on 26 October 2017	An interim fully franked LIC dividend of 6.0c per share was paid to shareholders on 27 April 2017	A final fully franked LIC dividend of 6.0c per share was paid to shareholders on 27 October 2016	An interim fully franked LIC dividend of 6.0c per share was paid to shareholders on 28 April 2016

Review of Operations

The operations of the Company are reviewed in the Managing Director's 'Review of Operations' on page 3.

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 3.

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 (appointed 7 April 2016)	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	397,581
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 (appointed 7 April 2016)	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
G. J. Grundy General Manager	General Manager Bachelor of Commerce, CA, F Fin Company Secretary since December 2015 Garth also serves as General Manager to the Company	349,707
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.	_
R.D. Fraser Non-Executive Director (resigned 20 December 2016)	Bachelor of Economics, Bachelor of Laws (Hons) Director Since 2012 A member of the Audit Committee and chairman of the remuneration committee. Mr Fraser is a corporate adviser and company director with over 27 years of investment banking experience. Mr Fraser is a director of Taylor Collison and non-executive director of ARB Corporation, FFI Holdings Limited and Magellan Financial Group Limited.	_

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	10	9	3	2	-	-
J. E. Gowing	10	10	-	-	2	2
J. G. Parker	10	8	3	3	-	-
R. D. Fraser	3	3	1	1	-	-
S. J. Clancy	10	9	2	2	2	2

Remuneration Report

The Company's remuneration report, which forms a part of the Directors' Report, is on pages 38 to 40.

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 81.

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.

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.

	2017 $	2016 $
Audit services		
Audit and review of financial reports and other audit work under the Corporations Act 2001	98,372	83,500
Taxation services		
Tax compliance services, including review of Company income tax returns	21,000	14,000
General tax advisory services	30,240	7,150

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
28 September 2017

J. E. Gowing
Director
Sydney
28 September 2017

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
- R. D. Fraser (Resigned 20 December 2016)

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 2017 were:

- Prof. J. West, Chairman of the Board
- J. G. Parker
- R. D. Fraser (Resigned 20 December 2016)
- 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 2017 were:

- J. E. Gowing, Managing Director
- G. J. Grundy, General Manager and appointed joint Company Secretary
- R. Ambrogio, Chief Financial Officer (appointed 1 February 2017)
- J. Chorn, Chief Financial Officer (ceased 1 February 2017) and Company Secretary (resigned 13 March 2017)

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 2017 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:

2017					Share based	Post – employment	Long term	Total
	Cash salary and 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)	127,397	-	-	-	-	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
Non-executive Directors	259,775	-	-	-	-	14,954	-	274,729
Executive Directors								
J. E. Gowing	232,876	-	35,358	3,943	-	22,123	(3,595)	290,745
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	1,054,692	-	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

2016					Share based	Post – employment	Long term	Total
	Cash salary and 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) 1	42,009	-	-	-	-	824	-	42,833
J. G. Parker	50,000	-	-	-	-	10,000	-	60,000
R. D. Fraser	54,795	-	-	-	-	5,205	-	60,000
W. A. Salier (Chairman) 3	54,888	-	-	-	-	-	-	54,888
S. J. Clancy 1	14,238	-	-	-	-	1,374	-	15,612
Non-executive Directors	215,930	-	-	-	-	17,403	-	233,333
Executive Directors								
J. E. Gowing	227,169	100,000	(3,654)	5,582	-	31,081	15,034	375,212
Other key management personnel4								
G. J. Grundy 2	280,582	-	(9,320)	-	120,000	30,311	12,975	434,548
J. Chorn2	188,807	-	9,370	-	-	17,937	3,518	219,632
Total key management personnel compensation	912,488	100,000	(3,604)	5,582	120,000	96,732	31,527	1,262,725

1 Prof. J. West and S. J. Clancy were both appointed 7 April 2016
2 G. J. Grundy and J. Chorn were both appointed joint Company secretary 8 December 2015
3 W. A. Salier resigned 7 April 2016
4 J. Zulman was Company Secretary to 8 December 2015 and was not remunerated for these services

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	
	2017 (%)	2016 (%)	2017 (%)	2016 (%)
Executive Directors				
J. E. Gowing	100	73	-	27
Other key management personnel				
G. J. Grundy	95	72	5	28
J. Chorn (Resigned 30 April 2017)	100	100	-	-
R. Ambrogio	100	-	-	-

Service Agreements

There are service agreements in place with J. Parker, R. Fraser, J. Gowing, Prof. J. West, G. Grundy 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 2017 of $295,000, to be reviewed annually by the Remuneration Committee
- Non-monetary benefits included motor vehicle and FBT related charges for the year ended 31 July 2017 of $3,943
- No termination benefit is payable

G. J. Grundy, General Manager and Company Secretary

- No fixed term
- Base salary, inclusive of superannuation, as at 31 July 2017 of $286,018, to be reviewed annually by the Remuneration Committee
- Other benefits included motor vehicle allowance for the year ended 31 July 2017 of $28,982
- No termination benefit is payable

R. Ambrogio, Chief Financial Officer

- No fixed term
- Base salary, inclusive of superannuation, as at 31 July 2017 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:

	2017	2016	2015	2014	2013
Net Profit after tax	$23.2m	$22.0m	$19.1m	$14.1m	$7.3m
Basic and diluted earnings per share	43.29c	40.92c	35.48c	26.10c	13.50c
Dividends per share	12.0c	12.0c	12.0c	12.0c	11.5c
Share buy back – number of shares	12k	181k	20k	7k	-
Share buy back – value	$41k	$565k	$58k	$19k	-
Share price at financial year end	$3.23	$3.62	$3.20	$2.78	$2.60

ASX Listing Requirements

1. Shareholders at 2 October 2017

Range of shares	No. of shareholders
1 – 1,000 shares	288
1,001 – 5,000 shares	443
5,001 – 10,000 shares	187
10,001 – 100,000 shares	335
Over 100,000 shares	42
Total shareholders	1,295

The number of shareholdings held in less than marketable parcels is 97.

2. Voting Rights

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

3. Substantial Shareholders at 2 October 2017

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	3,438,895	Ordinary shares
RBC Investor Services Australia nominees Pty Limited	3,314,166	Ordinary shares

4. Top 20 Equity Security Holders at 2 October 2017

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	13.43
2	Audley Investments Pty Limited	5,263,957	9.81
3	Carlton Hotel Limited	4,701,144	8.76
4	Mr John Edward Gowing	3,676,709	6.85
5	J P Morgan Nominees Australia Limited	3,438,895	6.41
6	RBC Investor Services Australia Nominees Pty Limited	3,314,166	6.17
7	Woodside Pty Limited	3,105,594	5.79
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	Enbeear Pty Limited	636,829	1.19
12	Beta Gamma Pty Limited	605,000	1.13
13	Mr Graeme Legge	582,350	1.08
14	Mrs Jean Kathleen Poole-Williamson	568,443	1.06
15	T N Phillips Investments Pty Limited	550,000	1.02
16	Mythia Pty Limited	423,500	0.79
17	Mr Ronald Langley and Mrs Rhonda Langley	374,580	0.70
18	Cadmea Pty Limited	349,707	0.65
19	Cadmea Pty Limited	345,436	0.64
20	Melbourne Business School Limited	300,000	0.56
	Total	39,124,857	72.89
	Total issued share capital	53,680,259	

5. Corporate Governance Practices

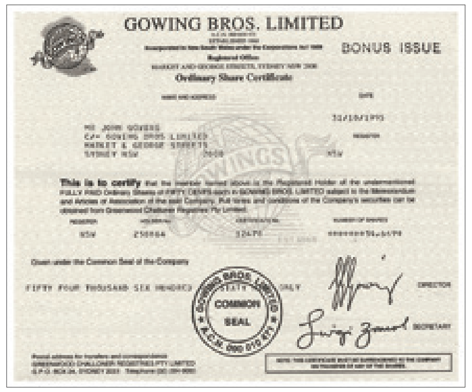
The Company's statement on the main corporate governance practices in place during the year is set out on the Company's website at www.gowings.com/reports-announcements/.

Financial Report

The consolidated financial statements were authorised for issue by the Directors on 28 September 2017. The Directors have the power to amend and reissue the consolidated financial statements.


ORDINARY SHARES
GOWING BROS. LIMITED
This is to Certify that
EDWARD JOHN GOWING
ORDINARY SHARES


ORDINARY SHARES
GOWING BROS. LIMITED
This is to Certify that
ORDINARY SHARES


GOWING BROS. LIMITED
BONUS ISSUE
COMMON SEAL

Consolidated Statement of Profit or Loss

For the year ended	Notes	31 July 2017 $'000	31 July 2016 $'000
Revenue			
Interest income		672	306
Equities		1,173	1,587
Private equities	5	173	1,156
Investment properties	17	19,672	19,094
Revenue from the sale of goods (Surf Hardware International)		24,546	-
Total revenue		46,236	22,143
Other income			
Gains / (losses) on disposal or revaluation of:			
Equities	14	5,696	18,581
Private equities	15	(318)	43
Investment properties	17	23,302	7,665
Development properties		-	17
Derivatives		367	(1,100)
Other income		299	(327)
Total other income		29,346	24,879
Total revenue and other income		75,582	47,022
Expenses			
Investment properties	17	7,876	7,293
Finished goods, raw materials and other operating expenses (Surf Hardware International)		26,313	-
Administration		1,532	1,177
Borrowing cost	5	2,986	3,007
Depreciation	18	469	133
Employee benefits		1,948	1,718
Public Company		543	609
Business acquisition costs		473	-
Total expenses		42,140	13,937
Profit from continuing operations before impairment & income tax expense		33,442	33,085
Unrealised impairment - equities		(518)	(1,640)
Profit before income tax expense		32,924	31,445
Income tax expense	6	(9,684)	(9,455)
Profit from continuing operations		23,240	21,990
Profit from continuing operations is attributable to:			
Members of Gowing Bros. Limited		23,242	21,990
Non-controlling interests		(2)	-
Profit from continuing operations		23,240	21,990

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 2017 $'000	31 July 2016 $'000
Profit from continuing operations		**23,240**	**21,990**
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)	(6,862)
Increase in fair value of investments net of tax		1,984	2,716
Exchange rate differences on translating foreign operations net of tax		(162)	-
Gain on revaluation of property, plant and equipment net of tax		345	692
Total comprehensive income		21,879	18,536
Total comprehensive income attributable to:			
Members of Gowing Bros. Limited		21,881	18,536
Non-controlling interests		(2)	-
Total comprehensive income		21,879	18,536
Earnings per share			
Basic earnings per share	40	43.29c	40.92c
Diluted earnings per share	40	43.29c	40.92c

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 2017 $'000	31 July 2016 $'000
Current assets			
Cash and cash equivalents	7	5,886	20,997
Development properties	8	297	535
Loans receivable	12	3,000	2,394
Inventories	11	6,636	-
Trade and other receivables	9	7,527	1,908
Other	10	1,220	618
Total current assets		24,566	26,452
Non-current assets			
Receivables	13	760	99
Equities	14	33,969	47,774
Private equities	15	3,301	2,679
Development properties	16	13,707	1,463
Investment properties	17	226,661	192,716
Property, plant and equipment	18	7,828	4,890
Intangibles	19	3,190	-
Deferred tax assets	20	4,631	4,191
Other	21	1,839	1,827
Total non-current assets		295,886	255,639
Total assets		320,452	282,091
Current liabilities			
Trade and other payables	22	9,902	3,332
Borrowings	23	9,330	27,775
Derivatives		733	1,100
Current tax liabilities	24	1,725	3,943
Provisions	25	1,075	263
Total current liabilities		22,765	36,413
Non-current liabilities			
Trade and other payables		275	-
Borrowings	26	49,023	21,000
Provisions	27	498	237
Deferred tax liabilities	28	33,915	25,861
Total non-current liabilities		83,711	47,098
Total liabilities		106,476	83,511
Net assets		213,976	198,580
Equity			
Contributed equity	29	12,611	12,652
Reserves	30	103,229	104,590
Retained profits		98,138	81,338
Contributed equity and reserves attributable to members of Gowing Bros. Limited		213,978	198,580
Non-controlling interests		(2)	-
Total equity		213,976	198,580

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 1 August 2015	13,217	90,503	17,541	-	65,510	-	186,771
Total comprehensive income for the year	-	-	(3,454)	-	21,990	-	18,536
Transactions with owners in their capacity as owners:							
Share buy-back	(565)	-	-	-	-	-	(565)
Dividends paid	-	-	-	-	(6,162)	-	(6,162)
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

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 2017 $'000	31 July 2016 $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		48,300	22,046
Payments to suppliers and employees (inclusive of GST)		(36,687)	(11,325)
Dividends received		1,172	1,587
Interest received		465	306
Borrowing costs		(2,986)	(3,007)
Income taxes paid		(5,780)	(1,359)
Net cash inflows from operating activities	42	4,484	8,248
Cash flows from investing activities			
Payments for purchases of properties, plant and equipment		(297)	(197)
Payments for purchases of intangibles		(117)	-
Payments for purchases of development properties		(12,244)	(163)
Payments for purchases of investment properties		(12,653)	(3,850)
Payments for purchases of equity investments		(6,198)	(12,346)
Loans made		(997)	(2,003)
Proceeds from sale of properties, plant and equipment		3	90
Proceeds from sale of financial assets		22,046	27,463
Proceeds from sale of investment properties		1,600	146
Proceeds from loans on development properties		391	811
Payment for subsidiary, net of cash acquired		(14,293)	-
Proceeds from sale of development properties		85	866
Net cash inflows/(outflows) from investing activities		(22,674)	10,817
Cash flows from financing activities			
Payments for share buy-backs		(41)	(565)
Proceeds from borrowings		35,667	-
Repayment of borrowings		(26,105)	(4,180)
Dividends paid		(6,442)	(6,162)
Net cash (outflows) from financing activities		3,079	(10,907)
Net increase in cash held		(15,111)	8,158
Cash and cash equivalents at the beginning of the financial year		20,997	12,839
Cash and cash equivalents at the end of the financial year		5,886	20,997

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 2017. 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 and development properties held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on equities are recognised in equity.

(iii) *Foreign Operations*

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

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

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

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

1. Summary of Significant Accounting Policies (Continued)

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

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

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

(h) Impairment of 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 and trademarks*
Patents and trademarks 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 and trademarks 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 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 from rental income. Amounts are usually due within seven 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 30 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.

1. Summary of Significant Accounting Policies (Continued)

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 won 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 yet to assess its full impact 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 yet to assess its full impact on the Group's financial statements.

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.

The Group is yet to assess its full impact on the Group's financial statements.

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 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 at the reporting date was as follows:

Currency exposure in AUD	31st July 2017				31st July 2016			
	USD $'000	EUR $'000	GBP $'000	JPY $'000	USD $'000	EUR $'000	GBP $'000	JPY $'000
Cash	915	352	27	137	2,696	-	1,179	-
Development and investment properties	1,189	-	-	-	1,109	-	-	-
Loans receivable	-	-	-	-	391	-	-	-
Trade and other receivables	2,222	1,784	-	826	-	-	-	-
Trade and other payables	(168)	(58)	-	-	-	-	-	-
Equities	3,233	-	-	-	4,008	-	-	-
Private equities	1,092	272	-	-	777	236	-	-

Based on the cash held at 31 July 2017, if the Australian dollar weakened / strengthened by 10% against the US dollar cash would have been $101,667 higher / $83,182 lower (2016: $299,583 higher / $245,114 lower). If the Australian dollar weakened / strengthened by 10% against the GBP cash would have been $3,000 higher / $2,455 lower (2016: $130,983 higher / $107,168 lower). If the Australian dollar weakened / strengthened by 10% against the EUR cash would have been $39,111 higher / $32,000 lower (2016: $nil higher / $nil lower). If the Australian dollar weakened / strengthened by 10% against the JPY cash would have been $15,222 higher / $12,455 lower (2016: $nil higher / $nil lower).

Based on the development and investment properties held at 31 July 2017, if the Australian dollar weakened / strengthened by 10% against the US dollar development and investment properties would have been $132,111 higher / $108,091 lower (2016: $123,170 higher / $100,775 lower).

Based on the trade and other receivables held at 31 July 2017, if the Australian dollar weakened / strengthened by 10% against the US dollar receivables would have been $246,889 higher / $202,000 lower (2016: $nil higher / $nil lower). If the Australian dollar weakened/ strengthened by 10% against the Euro, the receivables would have been $198,222 higher/ $162,182 lower (2016: $nil higher/$nil lower). If the Australian dollar weakened / strengthened by 10% against the JPY, the receivables would have been $91,778 higher / $75,091 lower (2016: $nil higher / $nil lower).

Based on the trade and other payables held at 31 July 2017, if the Australian dollar weakened / strengthened by 10% against the US dollar payables would have been $18,667 higher / $15,273 lower (2016: $nil higher / $nil lower). If the Australian dollar weakened/ strengthened by 10% against the Euro, the payables would have been $6,444 higher/ $5,273 lower (2016: $nil higher/$nil lower).

Based on the equities held at 31 July 2017, if the Australian dollar weakened / strengthened by 10% against the US dollar equities would have been $359,222 higher / $293,909 lower (2016: $295,444 higher / $241,729 lower).

Based on the private equities held at 31 July 2017, if the Australian dollar weakened / strengthened by 10% against the Euro private equities would have been $30,222 higher / $24,727 lower (2016: $26,203 higher / $21,439 lower). If the Australian dollar weakened / strengthened by 10% against the US dollar private equities would have been $121,333 higher / $99,273 lower (2016: $86,327 higher / $70,632 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 $1,863,505 (2016: $2,522,665) and $3,727,010 (2016: $5,045,830) 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 2017 Balance $'000	Weighted average interest rate	31st July 2016 Balance $'000
Borrowings	3.09%	58,342	3.87%	48,775
Interest rate swaps (notional principal amount)	3.53%	(35,000)	4.73%	(35,000)
Net exposure to cash flow interest rate risk		23,342		13,775

Credit risk

The Group has loan receivables of $3.0m (2016: $2.4m) which are secured against land and development properties. The Group has no material exposure to trade receivables.

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 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
Variable rate	9,319	1,023	14,000	34,000	58,342
Total non-derivatives	19,221	1,298	14,000	34,000	68,519
Derivatives					
Fixed rate	733	-	-	-	733

2. Financial Risk Management (Continued)

Maturity of Financial Liabilities (Continued)

31 July 2016	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	3,332	-	-	-	3,332
Variable rate	27,775	7,000	14,000	-	48,775
Total non-derivatives	31,107	7,000	14,000	-	52,107
Derivatives					
Fixed rate	1,100	-	-	-	1,100

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 2017 and 31 July 2016.

31 July 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets - available for sales				
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 financial assets and liabilities	13,731	(733)	256,601	269,599

31 July 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets - available for sales				
Investments - Australian equities	33,097	-	10,669	43,766
Investments - Global equities	-	-	4,008	4,008
Financial assets - designated at fair value through profit or loss				
Investments - private equities	-	-	2,679	2,679
Investments - properties	-	-	192,716	192,716
Other assets - designated at fair value				
Freehold - properties	-	-	4,217	4,217
Financial liabilities - designated at fair value through profit or loss				
Derivatives	-	(1,100)	-	(1,100)
Total financial assets and liabilities	33,097	(1,100)	214,289	246,286

2. Financial Risk Management (Continued)

There were no transfers between level 1 and level 2 for recurring fair value measurements during the year. For transfers in and out of level 3 see below.

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

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

31 July 2017 Reconciliation of level 3 fair value movements	31 July 2017 $'000	31 July 2016 $'000
Opening balance	214,289	197,640
Transfers to level 1	-	(2,000)
Transfers from development properties	153	-
Purchases	19,780	7,500
Sales	(2,109)	(388)
Amortisation and depreciation	(1,260)	(1,178)
Gain recognised in profit or loss or other comprehensive income	25,748	12,715
Closing balance	256,601	214,289

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

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

3. Critical Accounting Estimates & 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 2017 was a loss of $318,123 (2016: a loss of $17,824) 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 $23,302,000 (2016: gain of $7,665,000).

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 2017 $'000	31 July 2016 $'000
Segment revenue		
Cash and fixed interest – interest received	672	306
Equities – dividends and option income	1,173	1,587
Private equities – distributions received	173	1,156
Investment properties – rent received	19,672	19,094
Surf Hardware International business – sale of goods	24,546	-
	46,236	22,143
Segment other income		
Equities – realised gains on disposal	5,696	18,581
Private equities – unrealised fair value gains/(losses)	(318)	43
Investment properties – unrealised fair value gains	23,302	7,665
Development properties – realised gains on disposal	-	17
Other	342	(1,427)
	29,022	24,879
Total segment revenue and other income	75,258	47,022
Segment result		
Cash and fixed interest	672	306
Equities	6,351	18,528
Private equities	(145)	1,199
Investment properties	32,112	16,459
Development properties	-	17
Surf Hardware International business	(1,776)	-
Other	(4,290)	(5,064)
	32,924	31,445
Income tax (expense)	(9,684)	(9,455)
Net profit after tax	23,240	21,990

4. Segment Information (Continued)

For the year ended	31 July 2017 $'000	31 July 2016 $'000
Revenue from external customers by geographical region		
Australia	25,459	19,094
United States of America	8,458	-
Japan	3,937	-
Europe	6,364	-
Total revenue from external customers	44,218	19,094

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

As at	31 July 2017 $'000	31 July 2016 $'000
Segment assets		
Cash	5,886	20,997
Equities	33,969	47,774
Private equities	3,301	2,679
Investment properties	226,661	192,716
Development properties	14,004	2,389
Surf Hardware International business	14,841	-
Unallocated assets	21,790	15,536
Total assets	320,452	282,091
Segment liabilities		
Investment properties	57,698	48,775
Surf Hardware International business	3,743	-
Unallocated liabilities	45,035	34,736
Total liabilities	106,476	83,511
Non-current assets by geographical region		
Australia	290,255	250,280
United States of America	5,294	5,359
Japan	216	-
Europe	121	-
Total non-current assets	295,886	255,639

4. Segment Information (Continued)

As at	31 July 2017 $'000	31 July 2016 $'000
Payments for the acquisition of:		
- Investment properties	12,653	3,850
- Development properties	12,244	163
- Equities	6,198	12,346
- Surf Hardware International business, net of cash acquired	14,293	-
Gains / (losses) on disposal or revaluation of:		
- Investment properties	23,302	7,665
- Development properties	-	17
- Equities	5,696	18,581
- Private equities	(318)	43
- Impairment – equities	(518)	(1,640)
Unallocated:		
- Payments for the acquisition of property, plant and equipment	297	197

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 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 are represented as unallocated amounts.

Surf Hardware International business segment
Segment assets include all assets used by a segment and consist primarily of operating cash, trade and other payables, inventories, plant and equipment and intangibles, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist of borrowings, 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 2017 $'000	31 July 2016 $'000
Profit from continuing operations before income tax expense includes the following specific items:		
Gains		
Private equity investment distributions	173	1,156
Expenses		
Interest paid	2,986	3,007
Employee benefits	7,908	2,871
Cost of sales	16,795	-

6. Income Tax Expense

For the year ended	31 July 2017 $'000	31 July 2016 $'000
Current tax	2,421	4,409
Deferred tax	7,658	4,695
(Over) / under provided in prior years	(395)	351
	9,684	9,455
Income tax attributable to:		
Profit from continuing operations	9,684	9,455
Aggregate income tax expense on profit	9,684	9,455
Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	32,924	31,445
Tax at the Australian tax rate of 30% (2016: 30%)	9,877	9,433
Deferred tax assets not recognised	409	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable income	49	54
Franked dividends	(256)	(383)
(Over) / under provision in prior year	(395)	351
Income tax expense	9,684	9,455
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	(503)	(1,480)

7. Cash and Cash Equivalents

As at	31 July 2017 $'000	31 July 2016 $'000
Cash at bank and on hand	5,886	20,997

8. Current Development Properties

Development Properties	297	535

9. Current Trade and Other Receivables

As at	31 July 2017 $'000	31 July 2016 $'000
Trade debtors	7,770	2,130
Less: Provision for doubtful debts	(243)	(222)
Balance at end of year	7,527	1,908

10. Other Current Assets

Prepayments	1,220	618

11. Current Inventories

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

12. Current Loan Receivables

Loan to property developers	3,000	2,394

Loans to property developers are charged at commercial interest rates. The Directors believe that the fair value of loan receivables equals their carrying amounts.

13. Non-Current Receivables

Loans to employees	2	2
Other loans	758	97
Balance at end of year	760	99

14. Non-Current Equities

At fair value		
Balance at beginning of year	47,774	51,905
Revaluation to fair value	(2,195)	(5,923)
Additions	4,749	12,072
Impairment	(518)	(1,640)
Disposal proceeds	(21,537)	(27,221)
Net gain on disposal	5,696	18,581
Balance at end of year	33,969	47,774

Changes in fair value of equities are recorded in equity.

15. Non-Current Private Equities

As at	31 July 2017 $'000	31 July 2016 $'000
At fair value through profit or loss		
Balance at beginning of year	2,679	2,604
Revaluation to fair value	(318)	(18)
Additions	1,449	274
Disposal proceeds	(509)	(242)
Net gain on disposal	-	61
Balance at end of year	3,301	2,679

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

16. Non-Current Development Properties

At cost or net realisable value		
Balance at beginning of year	1,463	1,454
Additions	12,244	9
Balance at end of year	13,707	1,463

17. Non-Current Investment Properties

Balance at beginning of year	192,716	182,787
Additions	15,041	4,435
Disposal proceeds	(1,600)	(146)
Transfers in/(out)	(1,582)	(880)
Amortisation on incentives	(1,216)	(1,145)
Net gain from fair value adjustment	23,302	7,665
Balance at end of year	226,661	192,716

Amounts recognised in profit of loss for investment properties		
Rental revenue	19,672	19,094
Direct operating expenses from rental generating properties	(7,876)	(7,293)
Gain on revaluation	23,302	7,665
	35,098	19,466

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

17. Non-Current Investment Properties (Continued)

	Valuation Method	Weighted average cap rate 2017	Weighted average cap rate 2016	31 July 2017 $'000	31 July 2016 $'000
Sub-regional shopping centres (Coffs Central & Port Central)	(a)	6.47%	7.29%	173,280	147,747
Neighbourhood shopping centres (Kempsey Central and Moonee Marketplace)	(a)	7.38%	8.26%	45,300	34,238
Other properties	(b)	n/a	n/a	8,081	10,731
				226,661	192,716

(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 2017 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.

18. Non-Current Property, Plant and Equipment

	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 32)	-	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

	Freehold Property $'000	Motor vehicles $'000	Furniture, fittings & equipment $'000	Total $'000
Year ended 31 July 2016				
Opening net book amount	2,381	278	415	3,074
Additions	-	115	82	197
Disposals	-	(117)	-	(117)
Transfers in / (out)	880	-	-	880
Revaluation to fair value	989	-	-	989
Depreciation charge	(33)	(49)	(51)	(133)
Closing net book amount	4,217	227	446	4,890
At 31 July 2016				
Cost or fair value	4,546	414	940	5,900
Accumulated depreciation	(329)	(187)	(494)	(1,010)
Net book amount	4,217	227	446	4,890

19. Non-Current Intangibles

As at	31 July 2017 $'000	31 July 2016 $'000
Goodwill	2,023	-
Brand names	1,050	-
Patents	117	-
Balance at end of year	3,190	-

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 has 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 $7.5m. Key assumptions include: (a) 12.5% discount rate; (b) 3% per annum projected gross margin 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.

20. Deferred Tax Assets

As at	31 July 2017 $'000	31 July 2016 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	329	140
Accruals	915	283
Equities	1,229	1,961
Private equities	1,655	1,134
Derivatives	220	330
Other	283	343
Net deferred tax assets	4,631	4,191
Movements:		
Opening balance at 1 August	4,191	4,331
Acquired on business combination (note 32)	258	-
(Debited) / credited to profit or loss	182	(140)
Closing balance at 31 July	4,631	4,191
Deferred tax assets to be recovered after 12 months	1,534	877
Deferred tax assets to be recovered within 12 months	3,097	3,314
	4,631	4,191

21. Other Non-Current Assets

As at	31 July 2017 $'000	31 July 2016 $'000
Other assets	1,839	1,827

22. Current Trade and Other Payables

Trade creditors	5,507	1,893
Other creditors and accruals	4,395	1,439
Balance at end of year	9,902	3,332

23. Current Borrowings

Bill payable – secured	8,675	27,775
Trade facility – secured	644	-
Finance lease – secured	11	-
Balance at end of year	9,330	27,775

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

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

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

24. Current Tax Liabilities

As at	31 July 2017 $'000	31 July 2016 $'000
Income tax	1,725	3,943

25. Current Provisions

Employee entitlements	1,075	248
Other	-	15
Balance at end of year	1,075	263

26. Non-Current Borrowings

Bill payable - secured	49,023	21,000

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

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

26. Non-Current Borrowings (Continued)

Total secured liabilities	31 July 2017 $'000	31 July 2016 $'000
The total secured liabilities (current and non-current) are as follows:		
Bills payable[1]	57,698	48,775
Trade facility – secured[2]	644	-
Finance lease – secured	11	-
	58,353	48,775

Assets pledged as security

[1]$1.675m bill is secured against 328-332 Bong Bong St, Bowral; the facility is BBSY plus 1.68%.

[1]$34.0 million bill is secured against Port Central Shopping Centre ("SC"); the facility is BBSY plus 0.95%. The bank requires the business and Company to meet certain financial ratios: the SC business must have a minimum interest coverage ratio of 2.5 times; the SC loan to valuation ratio not to exceed 40% (the LVR is measured against the specific asset/debt under this approval); the Company gearing ratio must not exceed 40%.

[1]$7.0 million bill is secured against Kempsey Central SC; the facility is BBSY plus 1.95%. The bank requires the business and Company to meet certain financial ratios: the SC business must have a minimum interest coverage ratio of 1.80 times; the SC loan to valuation ratio not to exceed 57% on day one and 51% 18 months from funding (the LVR is measured against the specific asset/debt under this approval); the Company gearing ratio must not exceed 40% and total tangible assets less total liabilities must be no less than $60 million.

[1]$14.0 million and $1.02 million bills are secured against Coffs Central SC; the facility is BBSY plus 1.55% and 1.7% respectively. The bank requires the business and Company to meet certain financial ratios: the SC business must have a minimum interest coverage ratio of 2.0 times and the SC loan to valuation ratio not to exceed 40% (the LVR is measured against the specific asset/debt under this approval.

[2] $0.64 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, Surf Hardware International Pty Ltd and Surf Hardware International Asia Pty Ltd. Interest is 8.65% and the bank requires that that Gowings SHI Pty Limited meet certain financial ratios: minimum EBITDA of $1 million and total tangible assets less total liabilities must be no less than $5 million.

As at	31 July 2017 $'000	31 July 2016 $'000
Financing Arrangements Unrestricted access was available at balance date to the following lines of credit:		
Total facilities		
Secured bank overdrafts	1,000	1,000
Secured bill facilities	82,240	48,775
Secured trade facilities	2,000	-
	85,240	49,775
Used at balance date		
Secured bill facilities	57,698	48,775
Secured trade facilities	644	-
	58,342	48,775
Unused at balance date		
Secured bank overdrafts	1,000	1,000
Secured bill facilities	24,542	-
Secured trade facilities	1,356	-
	26,898	1,000

26. Non-Current Borrowings (Continued)

The interest rates during the year and at balance date were up to a maximum of 8.65% on the secured bill facilities (2016: 5.5%).

On-balance sheet
The fair value of borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

Off-balance sheet
There are no off-balance sheet borrowings or contingencies other than as referred to in note 2.

27. Non-Current Provisions

As at	31 July 2016 $'000	31 July 2015 $'000
Employee entitlements	498	219
Other provisions	-	18
	498	237

28. Deferred Tax Liabilities

The balance comprises temporary differences attributable to:		
Prepayments	303	186
Intangibles	315	-
Investment properties	27,699	19,674
Equities	5,047	5,705
Other	551	296
Net deferred tax liabilities	33,915	25,861
Movements:		
Opening balance at 1 August	25,861	22,867
Acquired on business combination (note 32)	729	-
Charged/(credited) to profit or loss	7,828	4,474
Charged/(credited) to equity	(503)	(1,480)
Closing balance at 31 July	33,915	25,861
Deferred tax liabilities to be settled within 12 months	398	186
Deferred tax liabilities to be settled after 12 months	33,517	25,675
	33,915	25,861

29. Contributed Equity

	Number of shares 2017	Number of shares 2016	2017 $'000	2016 $'000
Share capital				
Ordinary shares fully paid	53,680,259	53,692,199	12,611	12,652

Movements in ordinary share capital

Date	Details	Number of shares	Issue price per share	$'000
31/07/2016	Balance	53,692,199		12,652
27/10/16	Share buy back	(11,940)	3.45	(41)
31/07/2017	Balance	53,680,259		12,611

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 remains suspended for current and future dividends.

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
11,940 shares were bought back during the year (2016: 181,402).

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

30. Reserves

As at	31 July 2017 $'000	31 July 2016 $'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	13,395	17,541
Fair value adjustments on available for sale assets		
- Equities	(2,195)	(5,923)
- Deferred tax applicable to fair value adjustments	651	1,777
Closing balance	11,851	13,395
Asset revaluation reserve[3]		
Opening balance	692	-
Fair value adjustments on property, plant and equipment		
- Property, plant and equipment	493	989
- Deferred tax applicable to fair value adjustments	(148)	(297)
Closing balance	1,037	692
Foreign currency translation reserve[4]		
Opening balance	-	-
Exchange differences on translation of foreign operations	(162)	-
Closing balance	(162)	-
Total reserves	103,229	104,590

[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.

31. Dividends

As at	31 July 2017 $'000	31 July 2016 $'000
Ordinary shares		
2016 final dividend of 6.0 cents (2015: 6.0 cents final) per share	3,221	2,940
2017 interim dividend of 6.0 cents (2016: 6.0 cents interim) per share	3,221	3,222
Total dividends declared	6,442	6,162
Dividends paid in cash	6,442	6,162
	6,442	6,162

Franked dividends declared and paid during the year were fully franked at the tax rate of 30% (2016: 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 26 October 2017 out of retained profits at 31 July 2017 is $3,221,816.

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 2017 and will be recognised in subsequent financial reports.

The Dividend Reinvestment Plan (DRP) remains suspended for the final dividend declared.

Franked dividends
The franked portions of the final dividends declared after 31 July 2017 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 2018.

Franking credits available for subsequent financial years (tax paid basis)	13,700	10,092

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.

32. 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

32. 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 2017 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	1,501
Deferred tax liabilities	729
Total fair value of identifiable assets acquired	5,296

The fair value of assets and liabilities acquired have been recorded on a provisional basis at the end of the year. The Group may retrospectively adjust the provisional amounts recognised and also recognise additional assets and liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the date of acquisition. The measurement period ends on either the earlier of (i) 12 months from the date of acquisition; or (ii) when the Group receives all possible information to determine the fair value of assets and liabilities acquired.

Goodwill
The Group has measured the fair value of identifiable assets and liabilities acquired at acquisition date (refer to (b) above) 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	(13,977)
Goodwill recorded on acquisition	2,023

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

Goodwill is not deductible for tax purposes.

Revenue and profit contribution
During the period from acquisition through to 31 July 2017, Surf Hardware International contributed sales revenue of $24,546,236 and a loss before tax of $2,080,601 to the Group's results. The loss includes an amount of $2,577,653 relating to fair value adjustments made to Surf Hardware International's inventory on acquisition.

32. Business Combination (Continued)

Acquisition costs
Acquisition costs of $473,143 have been expensed in the consolidated statement of profit or loss in relation to the acquisition of Surf Hardware International.

Acquired receivables
The gross contractual amount for trade receivables due is $4,729,720, of which $74,601 is expected to be uncollectible.

33. Remuneration of Auditors

	31 July 2017 $'000	31 July 2016 $'000
Audit and review – parent entity	102	84
Audit and review – subsidiary companies	60	-
Tax services	68	21
	230	105

34. Commitments for Expenditure

Capital commitments – Private equities
The Group has uncalled capital commitments of up to $1,528,000 (2016: $4,950,000) over a period of up to 10 years in relation to private equity and property fund investments held at year end.

Capital commitments – Investment properties
The Group has capital commitments of $18,939,143 (2016: $nil) in relation to construction works on investment properties at year end.

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

Within one year	1,193	-
Later than one year but not later than five years	1,539	-
Later than five years	168	-
	2,900	-

35. Employee Entitlements

Long service leave (note 27)	498	219
Accrual for annual leave (note 24)	1,075	248
Other accruals	771	435
	2,344	902

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, R. D. Fraser, Prof. J. West and S. J. Clancy.

Those persons that were also Directors during the year ended 31 July 2016 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 2017 $	31 July 2016 $
Directors and other key management personnel		
Short-term employee benefits	1,104,593	1,014,466
Share based compensation	17,250	120,000
Post-employment benefits	91,803	96,732
Long-term benefits	(321)	31,527
	1,213,325	1,262,725

Detailed remuneration can be found in the remuneration report on pages 38 to 40.

Movement in shares

Key management person	Shares held* at 31-Jul-15 No.	Shares acquired/ (disposed) during the year No.	Shares held* at 31-Jul-16 No.	Shares acquired/ (disposed) during the year No.	Shares held* at 31-Jul-17 No.
J. E. Gowing	18,989,368	1,891,782	20,881,150	-	20,881,150
J. G. Parker	50,000	5,000	55,000	-	55,000
Prof. J. West	-	397,581	397,581	-	397,581
S. J. Clancy	-	5,000	5,000	-	5,000
R. D. Fraser	63,118	6,311	69,429	N/A	N/A
G. J. Grundy	260,148	84,559	344,707	5,000	349,707

*Directly and indirectly

Mr R. D. Fraser resigned as Non-executive Director during the year. 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 (2016: $nil).

Transactions with key Management Personnel & Directors

Key management person	Transaction type	31 July 2017 $	31 July 2016 $
J. E. Gowing	Marketing services	44,640	65,891
J. E. Gowing	Associate director services	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 $34,094 for the year. Dealings were at commercial rates (2016: $63,161). The sons of Mr J E Gowing provided marketing services at market rates during the year on a casual basis, $10,546 (2016: $2,730) and associate director services $3,650 (2016: $nil).

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

36. Related Parties (Continued)

Other Related Party Matters

Mr John E Gowing, the managing director of Gowing Bros. Limited was a minority shareholder of the following entities controlled by the Group.

Entity Name	Ownership Interest %
Gowings SHI Pty Ltd	0.1
Pacific Coast Developments 357 Fund	0.1
Pacific Coast Developments 112 Fund	0.1

The interests in these entities were no longer held by Mr John E Gowing at 31 July 2017.

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 % 2017	Non-controlling Interest % 2017
Pacific Coast Developments 357 Pty Ltd	Australia	100	-
Pacific Coast Developments 357 Fund	Australia	99.9	0.1
Pacific Coast Developments Pty 112 Ltd	Australia	100	-
Pacific Coast Developments 112 Fund	Australia	99.9	0.1
Gowings SHI Pty Ltd	Australia	99.9	0.1
SHI Holdings Pty Ltd*	Australia	99.9	0.1
Fin Control Systems Pty Ltd*	Australia	99.9	0.1
Surfing Hardware International Holdings Pty Ltd*	Australia	99.9	0.1
Surf Hardware International Asia Pty Ltd*	Australia	99.9	0.1
Surf Hardware International Europe SARL*	Australia	99.9	0.1
Surf Hardware International UK*	Australia	99.9	0.1
OZ4U Holdings Pty Ltd*	Australia	99.9	0.1
Sunbum Technologies Pty Ltd*	Australia	99.9	0.1
Surfing Hardware International USA Inc.*	United States of America	99.9	0.1
Surf Hardware International USA Inc.*	United States of America	99.9	0.1
Surf Hardware International Hawaii Inc.*	United States of America	99.9	0.1
Surf Hardware International Japan KK*	Japan	99.9	0.1
Surf Hardware International Pty Ltd*	France	99.9	0.1
Surf Hardware International Brazil Com. De Mat. Esportivos LTDA*	Brazil	99.9	0.1

*SHI Holdings Pty Limited and controlled entities acquired by Gowings SHI Pty Ltd during the year (note 32).

No other interests in subsidiaries or other entities (excluding joint ventures) were held by the Group in the 31 July 2017 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 which is detailed in note 26, there are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

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 2017 $'000	31 July 2016 $'000
Current assets		
Cash	35	30
Trade and other receivables	40	18
Total current assets	75	48
Non-current assets		
Investme properties	3,000	3,000
Total non-current assets	3,000	3,000
Current share of assets employed in joint venture	3,075	3,048
Current liabilities		
Trade and other payables	5	21
Borrowings	1,675	1,775
Total current liabilities	1,680	1,796
Non-current liabilities		
Borrowings	-	-
Total non-current liabilities	-	-
Current share of liabilities employed in joint venture	1,680	1,796
Net assets employed in joint venture	1,395	1,252

$1.675 million of borrowings is secured against investment properties of Regional Retail Properties (note 26).

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 (2016: Nil).

40. Earnings Per Share

	31 July 2017	31 July 2016
Basic earnings per share (cents)	43.29c	40.92c
Diluted earnings per share (cents)	43.29c	40.92c
Weight average number of ordinary shares on issue	53,683,040	53,736,761
Net profit after tax	$23,240,000	$21,990,000

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 2017 $'000	31 July 2016 $'000
Assets		
Current assets	10,403	26,452
Non-current assets	308,163	255,639
Total assets	318,566	282,091
Liabilities		
Current liabilities	19,540	36,413
Non-current liabilities	82,770	47,098
Total liabilities	102,310	83,511
Net assets	216,256	195,580
Equity		
Issued capital	12,611	12,652
Capital profits reserve	90,503	90,503
Long term investment revaluation reserve	11,851	13.395
Asset revaluation reserve	1,037	692
Retained earnings	100,254	81,338
Total equity	216,256	195,580

Statement of Profit or Loss and other Comprehensive Income

	31 July 2017 $'000	31 July 2016 $'000
Net profit after income tax	25,358	21,990
Total comprehensive income	24,159	18,856

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 34 (2016: Uncalled capital commitments for private equities as noted in note 34).

Parent entity contingent liabilities
The Company has no contingent liabilities at year end (2016: 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 (2016: None).

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

	31 July 2017 $'000	31 July 2016 $'000
Profit from ordinary activities after income tax	23,240	21,990
Amortisation	1,396	1,325
Depreciation	469	133
Impairment – equities	518	1,640
Net gain on sale of equities and private equities	(5,696)	(18,642)
Net loss on sale of development properties	-	(17)
Net loss on sale of property, plant and equipment	1	27
Revaluation of investment properties to market value	(23,302)	(7,665)
Revaluation of equities and private equities to market value	318	18
Revaluation of derivative to market value	(367)	1,100
Other (expense) / income	(17)	-
Decrease / (increase) in receivables	(2,184)	(270)
Decrease / (increase) in prepayments	(475)	62
Decrease / (increase) in inventories	3,755	-
Increase / (decrease) in income taxes	5,435	8,101
Increase / (decrease) in employee entitlements	83	126
Increase / (decrease) in trade creditors and accruals	1,310	320
Net cash inflow from operating activities	4,484	8,248

43. Subsequent Events

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 Group, the results of those operations or the state of affairs of the Group in future financial years.

44. 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 joint Company Secretaries are Mr G. J. Grundy and Ms B. J. Flatters.

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 43 to 79 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 2017 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 2017 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
28 September 2017

J. E. Gowing
Director

Sydney
28 September 2017

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 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of 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 Gowing Bros. Limited and the entities it controlled during the year.

Sydney, NSW
28 September 2017

S Grivas
Partner

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HLB Mann Judd (NSW Partnership) is a member of HLB International. A world-wide network of independent accounting firms and business advisers.

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 2017, 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 2017 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 Note 17	
The aggregate fair value of the Group's subregional and neighbourhood shopping centre investment properties as at 31 July 2017 is $218.580 million, representing 68.2% of the Group's total assets as at that date. The fair values of the Group's investment properties 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 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 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 included: • assessing the competence, capability, experience, independence and objectivity of external valuers appointed by management. • evaluating the valuation methodology applied. • testing the reliability and reasonableness of inputs to underlying contracts and supporting documentation. • testing the appropriateness of assumptions and estimates with reference to historical rates and results, available market data and other supporting documentation. • checking the mathematical accuracy of valuation calculations. • for investment properties under development, evaluated management's estimated costs to complete with reference to construction contracts, quantity surveyor reports and other supporting documentation. • reviewing the Group's disclosures with reference to Australian Accounting Standards.
Valuation of Unlisted Equities Note 2, 14 & 15	
At 31 July 2017 the Group owned investments of $23.539 million in a number of unlisted equities which have been included in the Group's consolidated statement of financial position. Management assess the value of these investments at least annually, using various valuation techniques, such as a recent arm's length transaction, reference to other instruments that are of a similar nature and relying as little as possible on unobservable inputs. This is considered a key audit matter due to the significant judgment involved in assessing the valuation of these assets, as they are often traded in low volume markets.	Our audit procedures to assess the valuation unlisted equities included: • assessing the valuation methodology applied by management. • reviewing valuation inputs including evidence of recent arm's length transactions and agreeing these transactions to external sources. • reviewing the Group's disclosures with reference to Australian Accounting Standards.

HLB Mann Judd

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
Acquisition of Subsidiary Note 32	
During the year, a subsidiary of the Group, Gowings SHI Pty Limited acquired 100% of SHI Holdings Pty Ltd and its controlled entities (the "acquisition"). The acquisition is accounted for on a provisional basis at 31 July 2017. Accounting for this acquisition is a complex and judgemental exercise, requiring management to determine the existence and fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to goodwill and separately identifiable intangible assets such as brand names. The fair value of certain assets acquired on acquisition were assessed by management based on an independent valuation prepared by an external valuer. We have identified the acquisition as a key audit matter as the determination of the fair value of assets and liabilities on the date of acquisition is judgemental.	Our audit procedures to assess the allocation of the acquisition purchase price and the acquisition accounting included: • reading the sale and purchase agreement to understand key terms and conditions. • reviewing management's assessment of the identified assets and liabilities (including separately identifiable intangible assets) acquired including the fair value attributable to these assets and liabilities. • reviewing the calculation of goodwill on acquisition. • reviewing the Group's disclosures with reference to Australian Accounting Standards. Our audit procedures in relation to the independent valuation used by management included: • assessing the competence, capability, experience, independence and objectivity of external valuer. • evaluating the valuation methodology applied. • testing the reliability and reasonableness of inputs and assumptions. • checking the mathematical accuracy of valuation calculations.

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 Directors report for the year ended 31 July 2017, 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.

HLB Mann Judd

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

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.

HLB Mann Judd

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 38 to 40 of the directors' report for the year ended 31 July 2017.

In our opinion, the Remuneration Report of Gowing Bros. Limited for the year ended 31 July 2017 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
28 September 2017

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	

"Investing Together for a Secure Future"

- John Gowing -

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