

APPENDIX 4E | For the year ended 31 July 2017



Est. 1868

G O W I N G B R O S

Investing together for a secure future

Gowing Bros. Limited ABN 68

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 31 July 2017 with the previous corresponding period being the year ended 31 July 2016.

		31 Jul 2017	31 Jul 2016
REVENUE			
Total Revenue (1)	Up 108%	\$46.2 million	\$22.2 million
Other Income (2)	Up 18%	\$29.3 million	\$24.9 million
EARNINGS			
Profit after tax (3)	Up 6%	\$23.2 million	\$22.0 million
Earnings per share	Up 6%	43.29c	40.92c
NET ASSETS PER SHARE			
Before provision for tax on unrealised gains (4)	Up 13%	\$4.43	\$4.02
DIVIDENDS			
2017 Final fully franked LIC capital gains tax dividend per share (5)		6 cents	6 cents
2017 Interim fully franked LIC capital gains tax dividend per share		6 cents	6 cents

COMMENTS

- (1) Total Revenue was up 108% on the prior year due to the addition of revenue associated with the acquisition of the Surf Hardware International subsidiary
- (2) Other income was largely attributable to appreciation in the Pacific Coast Shopping Centre Portfolio which was mainly due to further compression in the capitalisation rate for Port Central, and the continued successful leasing campaign at Moonee Marketplace.
- (3) Profit After Tax increased 6% to \$23.2 million, up from \$22.0 million in the previous year.
- (4) Net assets per share before tax on unrealised gains on equities, investment properties, and freehold properties increased to \$4.43 from \$4.02 during the year ended 31 July 2017 after the payment of 12.0c in dividends. Net tangible assets per share does not include any adjustment for any LIC capital gains amount that may be attached to the Company's dividends at the end of the year or in future periods.
- (5) The record date for the final dividend is 12 October 2017, with a payment date of 26 October 2017.

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

This report for the year ended 31 July 2017 is based on the financial report (attached) which has been audited. An unqualified opinion has been issued.



MANAGING DIRECTORS REVIEW OF OPERATIONS

The year ended 31 July 2017 was our 149th year of operation in New South Wales and Australia. As I write this review we have now commenced our 150th year of operations which is a landmark year for a small company established by John Ellis Gowing in 1868. The entrepreneurial spirit of the company has not waned at all over the years and if anything has accelerated over the last few years as we continue to position the company for a positive and constructive future.

Building the Team

During the year we have invested in human resources and inter-generational continuity. Dominic Power has been appointed as a senior member of the property team reporting to Garth Grundy, 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, 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;
- Approved 165 lot Lyons Rd Sawtell subdivision for \$9 million; and
- The Forestry Department's mixed-use development lot in the Jetty Precinct on Harbour Drive, Coffs Harbour for \$3 million.

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, we have undertaken a strategic leasing campaign resulting in the centre going from less than 30% occupancy 18 months ago to over 90% occupancy today.

At Port Macquarie, following an unsolicited letter of offer to purchase Port Central, we conducted a non-binding expression of interest campaign to test the market and potentially use part of the proceeds to help fund the capital expenditure commitments at Coffs Harbour. As the campaign progressed, we successfully secured a construction facility for Coffs, and a prospective major tenant for Port re-engaged with us in a constructive manner. Although we received a number of solid non-binding expressions of interest for Port Central, the Board decided it was in the best interests of the Company to keep the Pacific Coast Shopping Centre Portfolio intact, for the time being.



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 higher interest rates, we have significant development opportunities to add and capture meaningful value for shareholders. Our regional shopping centres can continue to evolve and build on their tenant and services mix to remain relevant as the main community hubs in the regional towns in which we operate.

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.

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 MDFC in late 2016. MDFC purchased the 11,500 acres Burrawang West Station in Ootha central NSW 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, also 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 in order for the Company to continue to grow and prosper over the next 150 years that we should leverage our investment expertise and track record by allowing external wholesale investors to invest alongside Gowings in ventures such as Murray Darling Food Company. To this end we have initiated the process of applying for an Australian Financial Services Licence for wholesale investors.

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 in our equity portfolio.

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.



Overview of Current Year Financial Performance

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. Unexpectedly this year's result has been buoyed by further compression in shopping centre capitalisation rates, resulting in unrealised gains of \$23.3 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 capitalisation rates. Further gains in value of our shopping centres will likely 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.

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

J. E. Gowing
Director



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	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 Expenses	4,039	3,637	11%
Profit from Ordinary Activities	7,418	7,050	5%
Gain/(loss) on sale or revaluation			
Investment properties – unrealised gains	23,302	7,665	204%
Equity – realised gains	5,696	18,581	-69%
Equity – unrealised impairment	(518)	(1,640)	68%
Managed private equity	(145)	1,199	-112%
Derivatives	367	(1,100)	-133%
SHI Subsidiary Acquisition			
Acquisition Costs	(473)	-	n/a
SHI – consolidation acquisition cost of sales adjustment	(2,578)	-	n/a
Other			
Consulting Costs	(120)	-	n/a
Other Costs	(25)	(310)	92%
Profit before tax	32,924	31,445	5%
Income tax expense	(9,684)	(9,455)	2%
Profit after tax	23,240	21,990	6%

COMMENTARY

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 principle source of income to pay ordinary dividends.

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.

Total Head Office Expenses of \$4.0 million were 11% higher than the prior corresponding period 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.

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.

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.

Other Consulting Costs of \$0.1 million represents consulting costs associated with the sales campaign for Port Central.

Profit After Tax was \$23.2 million, up 6% on the prior corresponding period.



KEY METRICS

	31 Jul. 2017	31 July 2016	31 July 2015	31 July 2014	31 July 2013
Net Assets*	\$237.9m	\$215.9m	\$203.3m	\$180.0m	\$161.4m
Net Assets per Share**	\$4.43	\$4.02	\$3.77	\$3.34	\$2.99
Net profit after tax	\$23.2m	\$22.0m	\$19.1m	\$14.1m	\$7.3m
Earnings per Share**	43.29c	40.9c	35.5c	26.1c	13.5c
Dividends per Share**	12.0c	12.0c	12.0c	12.0c	11.5c
Total Shareholder Return	13.2%	9.8%	16.30%	15.20%	9.50%

* Net Assets before tax on unrealised gains on equities, investment properties, and freehold properties.

** Net Assets per share before tax on unrealised gains on equities, investment properties, and freehold properties. Net Assets per share and Earnings per Share as at 31 July 2015 and previous years have been restated for comparative purposes to reflect the 1 for 10 bonus issue during FY16. Dividends per share have not been adjusted. Also the Net Asset per share listed above is before tax on unrealised gains on equities and investment properties.

SHAREHOLDER RETURNS

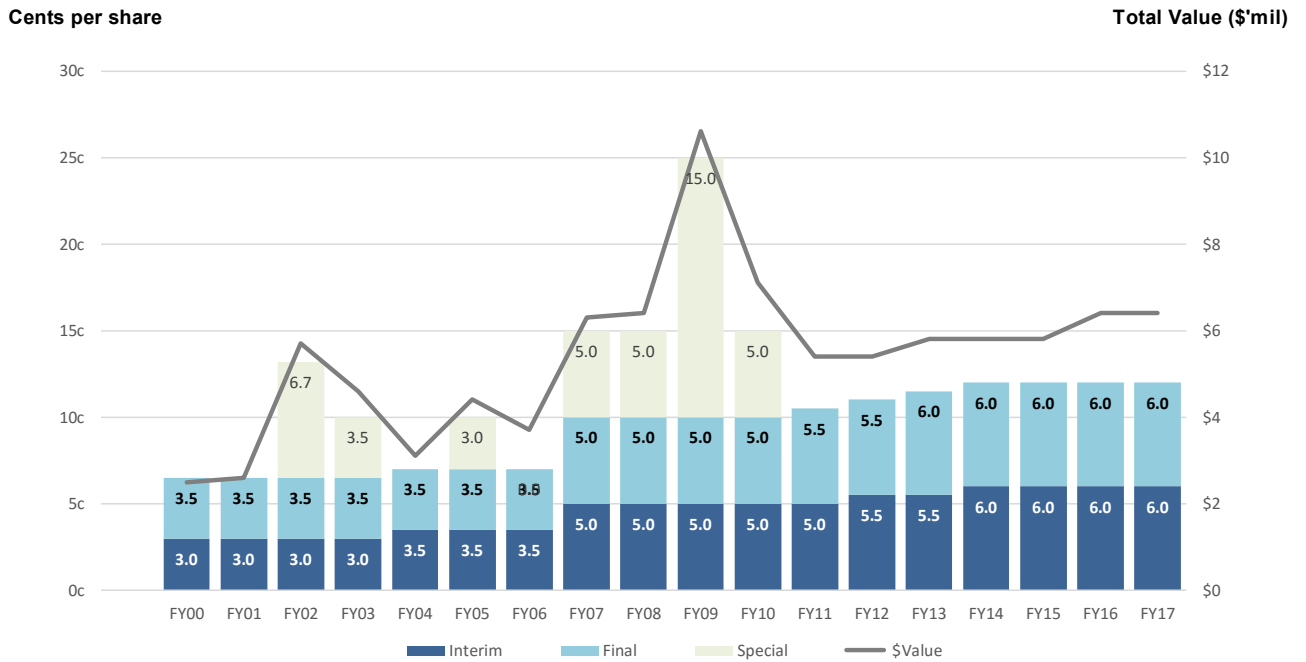
For the year ended 31 July 2017	Net Assets Before tax on unrealised capital gains	Net Assets After tax on unrealised capital gains	Net Tangible Assets Before tax on unrealised capital gains	Net Tangible Assets After tax on unrealised capital gains
Opening per share 31 Jul 2016	\$4.02	\$3.70	\$4.02	\$3.70
Closing per share 31 Jul 2017	\$4.43	\$3.99	\$4.37	\$3.93
Increase in net assets per share	\$0.41	\$0.29	\$0.35	\$0.23
Ordinary dividend paid	\$0.12	\$0.12	\$0.12	\$0.12
Total return for the 12 month period (c)	\$0.53	\$0.41	\$0.47	\$0.35
Total return for the 12 month period (%)	13.2%	11.1%	11.7%	9.5%

The Company meets the definition of a Listed Investment Company (“LIC”) for taxation purposes. Certain shareholders of the Company, including individuals, trusts, partnerships and complying superannuation entities may benefit from the Company’s LIC status by being able to claim a tax deduction for the part of the dividend that is attributable to LIC capital gains made by the Company. The amount that shareholders can claim as a tax deduction depends on their individual situation.

As an example, an individual, trust (except a trust that is a complying superannuation entity) or partnership who is an Australian resident taxpayer at the date a dividend is paid would be entitled to a tax deduction equal to 50% of the amount attributable to LIC capital gains included in the dividend. In the case of a complying superannuation entity, who is an Australian resident taxpayer at the date a dividend is paid, this deduction would be 33.33% of the amount attributable to LIC capital gains included in the dividend.

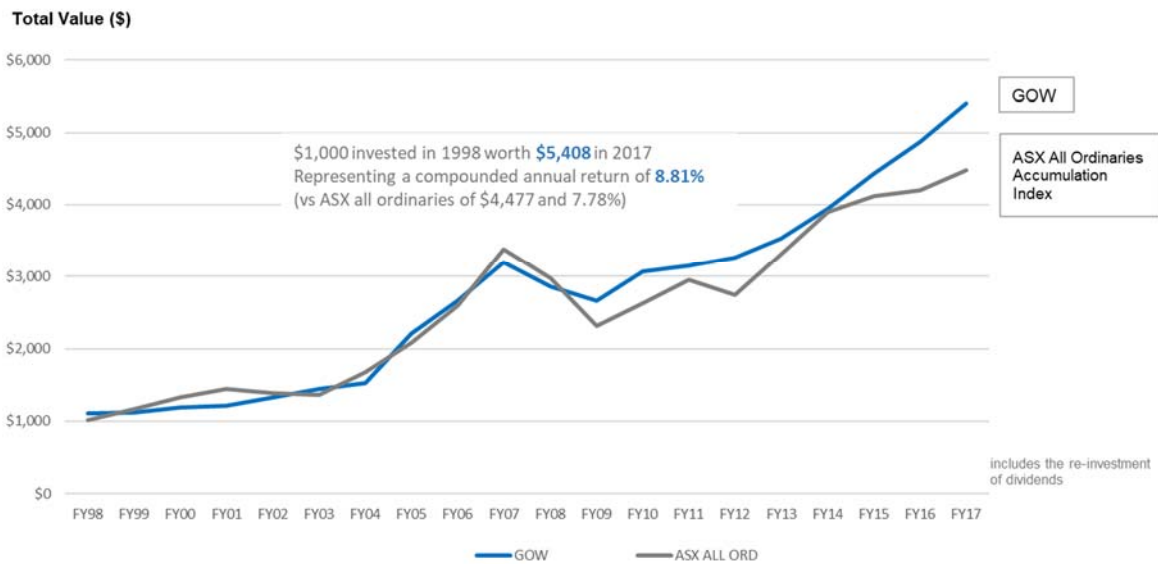


DIVIDENDS PAID



The directors have declared a final fully franked LIC dividend of 6c per share has been declared with a record date of 12 October 2017 and payment date of 26 October 2017.

GOW TOTAL SHAREHOLDER RETURN 20 Years from 1998 - 2017



The chart above shows the total shareholder return over a 20 year period made in Gowings has outperformed the ASX all ordinaries accumulation index.



GOWINGS AT A GLANCE

	31 Jul 2017	31 Jul 2016
	\$'000	\$'000
Strategic Equity Investments		
Surf Hardware International (at cost)	16,000	-
Boundary Bend Limited	13,961	10,071
Carlton Investments	5,521	5,528
TPI Enterprises Limited	2,801	1,933
Murray Darling Food Company	2,045	-
Hydration Pharmaceuticals	2,003	2,659
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	49,969	47,774
Private Equity Funds		
OurCrowd Australia	1,092	777
Macquarie Wholesale Co Investment Fund	884	1,152
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	16,366	16,947
Borrowings	(1,675)	(1,775)
Total	26,925	15,172
Cash and Other		
Cash	4,435	20,997
Investment lending facility	3,000	2,003
Tax liabilities	(7,067)	(8,294)
Surf Hardware International consolidation impact*	(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, investment and direct properties	(23,942)	(17,319)
Net assets after tax on unrealised gains on equities and investment properties	213,976	198,580

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



INVESTMENT PORTFOLIO

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 an EBITDA result of \$2.0 million for the year ended 30 June 2017, and GBL has consolidated an EBITDA of \$1.2 million for the 7 months 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 it 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.

During the year SHI experienced some challenges with Surfboard and Stand Up Paddle Board 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, the relaunched FCS Traction range, and Softech soft boards.

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.

Looking ahead, the business is planning to release new products and 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, with each initiative designed to drive earnings growth in the medium term.

Boundary Bend (\$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

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.



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 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.

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, 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

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 dollars 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, central NSW. In January, it successfully 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 acquired Bombah, a 6,000 acres property in Condobolin that will complement the current operations at Burrawang West Station and can carry 3,000 commercial ewes. MDFC management successfully converted Bombah's existing wheat operations to a higher yielding sheep station.



Hydration Pharmaceuticals (\$2.0 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%.

DiCE Molecules (\$1.2 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.

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 indicates 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 fungal 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.

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 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.



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 start-up stages with the remaining \$US 0.3 million remains available to deploy.

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.

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 \$0.8 million. 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.

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 should there be additional capacity. The Fund was structured to give investors a 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.



Pacific Coast Shopping Centre Portfolio

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, particularly 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.

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 Big W 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.

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.

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, Maggies 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.

Other Direct Properties

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.

Solitary – 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.



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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.



Director's 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	33,924	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	23,240	21,990

Dividends

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

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.



Director's Interests

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

		Total Shares
Professor J. West Non-Executive Chairman (appointed 7 April 2016)	Director since April 2016 and Member of the Audit Committee BA (Syd), PHD (Harvard) 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, and Member of the Remuneration Committee Director since 1983 Bachelor of Commerce Member of Chartered Accountants Australia and New Zealand, and Member of CPA Australia No other directorships held in listed companies over the past 3 years	20,881,150
J. G. Parker Non-Executive Director	Director since 2002 and Chairman of the Audit Committee Bachelor of Economics 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)	Director since April 2016 Chairman of the Remuneration Committee and Member of the Audit Committee Diploma of Marketing 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 and Company Secretary	Company Secretary since December 2015 Bachelor of Commerce, CA, F Fin Mr Grundy also serves as General Manager to the Company	349,707
Robert Ambrogio Chief Financial Officer	Bachelor of Economics, CA Robert was appointed as Chief Financial Officer on 1 February 2017 and has over 20 years' experience in managing and leading finance teams across advertising, marketing and social services sectors. Robert's experience comes from his past employment with Arthur Andersen, XM Holdings, Creative Activation, and MTC Australia.	-
R.D. Fraser Non-Executive Director (resigned 20 December 2016)	Director Since 2012 and Member of the Audit Committee and chairman of the remuneration committee Bachelor of Economics, Bachelor of Laws (Hons) 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.	N/A



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 20 to 23.

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 60.

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 services

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

	2017 \$	2016 \$
Audit services		
Audit and review of financial reports under the Corporations Act 2001	162,000	83,500
Taxation services		
Tax compliance services, including review of Company income tax returns	23,750	14,000
General tax advisory services	44,290	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 joint Company Secretary (ceased and 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.

2017	Cash salary and fee	Cash bonus	Movement in provision for annual leave	Non-monetary benefits	Share based Share bonus	Post - Employment Superannuation	Long term Movement in provision for long service leave	Total
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
	259,775	-	-	-	-	14,954	-	274,729
Executive Directors								
J. E. Gowing	232,876	-	35,358	3,943	-	22,123	(3,595)	290,705
Other key management personnel								
G. J. Grundy	284,999	-	16,239	-	17,250	30,000	4,772	353,260
R. Ambrogio ²	109,589	-	3,731	-	-	10,411	2,020	125,751
J. Chorn ³	167,453	-	(9,370)	-	-	14,315	(3,518)	168,880
Total key management personnel compensation	1,054,692	-	45,958	3,943	17,250	91,803	(321)	1,213,325

1. R. D. Fraser resigned as director on 20 December 2016

2. R. Ambrogio was appointed as chief financial officer on 1 February 2017

3. J. Chorn ceased to be chief financial officer on 1 February 2017 and joint company secretary on 13 March 2017



2016	Cash salary and fee	Cash bonus	Movement in provision for annual leave	Non-monetary benefits	Share based Share bonus	Post - Employment Superannuation	Long term Movement in provision for long service leave	Total
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. Sailer (Chairman) ³	54,888	-	-	-	-	-	-	54,888
S. J. Clancy ¹	14,238	-	-	-	-	1,374	-	15,612
	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 personnel								
G. J. Grundy ²	280,582	-	(9,320)	-	120,000	30,311	12,975	434,548
J. Chorn ²	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. Sailer resigned 7 April 2016
4. J. Zulman was Company Secretary to 8 December 2015 and was not remunerated for these services

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
R. Ambrogio	100	-	-	-
J. Chorn (resigned 30 April 2017)	100	100	-	-

Service agreements

There are/ were service agreements in place with J. Parker, R. Fraser, J. Gowing, Prof. J. West, S. Clancy, G. Grundy, R. Ambrogio and J. Chorn.

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:

	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



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 property	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
<i>Profit from continuing operations is attributable to:</i>			
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	Note s	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
<i>Total comprehensive income attributable to:</i>			
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 Gowings 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

	Capital Profits		Revaluation Reserves	Foreign Currency Translation Reserve	Retained Profits	Non-Controlling Interests	Total
	Contributed Equity	Reserve-Pre CGT Profits					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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 inflows/(outflows) from financing activities		3,079	(10,907)
Net increase (decrease) 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.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 expected to generate cash flows.

(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.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) New accounting standards and interpretations

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

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

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

The changes made to accounting requirements by these standards include:

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



2. FINANCIAL RISK MANAGEMENT (CONTINUED)

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	31 July 2017				31 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 receivables	2,222	1,784	-	826	-	-	-	-
Trade 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 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 EUR, 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 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 EUR, 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 earned 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:

	31 July 2017		31 July 2016	
	Weighted average interest rate	Balance \$'000	Weighted average interest rate	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	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'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



2. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 July 2016	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'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

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	31 July 2017	31 July 2016
	\$'000	\$'000
Reconciliation of level 3 fair value movements		
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 AND 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	666	(1,427)
	29,346	24,879
Total segment revenue and other income	75,582	47,022



4. SEGMENT INFORMATION (CONTINUED)

For the year ended	31 July 2017 \$'000	31 July 2016 \$'000
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

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

As at	31 July 2017 \$'000	31 July 2016 \$'000
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, development properties and plant and equipment, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist of borrowings. Segment assets and liabilities do not include income taxes. Tax assets and liabilities, trade and other creditors and employee entitlements and goodwill are represented as unallocated amounts.

Surf Hardware International business segment

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

Segment cash flows

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

5. OPERATING PROFIT

For the year ended	31 July 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
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9. CURRENT TRADE AND OTHER RECEIVABLES

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
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11. CURRENT INVENTORIES

As at	31 July 2017 \$'000	31 July 2016 \$'000
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
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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 receivables	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

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

As at	31 July 2017 \$'000	31 July 2016 \$'000
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

At fair value		
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.

	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 Properties	Motor vehicles	Furniture, fittings & equipment	Total
	\$'000	\$'000	\$'000	\$'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
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.



19. NON-CURRENT INTANGIBLES (CONTINUED)

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

Other assets	1,839	1,827
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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

Bills 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

Bills payable - secured	49,023	21,000
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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.

Total secured liabilities

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 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, Sunburn 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.



26. NON-CURRENT BORROWINGS (CONTINUED)

As at	31 July 2017 \$'000	31 July 2016 \$'000
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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

The interest rates during the year and at balance date were up to a maximum of 8.65% on the secured 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

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

	31 July 2017 \$'000	31 July 2016 \$'000
Movements		
Capital profits reserve¹		
Opening balance	90,503	90,503
Transfer from retained profits	-	-
Closing balance	90,503	90,503
Long term investment revaluation reserve²		
Opening balance	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



30. RESERVES (CONTINUED)

	31 July 2017 \$'000	31 July 2016 \$'000
Asset revaluation reserve³		
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 reserve⁴		
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

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 \$3,220,816.

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

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 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



32. BUSINESS COMBINATIONS (CONTINUED)

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. This loss includes an amount of \$2,577,653 relating to fair value adjustments made to Surf Hardware International's inventory on acquisition.

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, motor vehicles 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 25)	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.



36. RELATED PARTIES (CONTINUED)

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.

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 disclosures can be found in the remuneration report on pages 20 to 23.

Movement in shares

Key management person	Shares held*	Shares acquired/ (disposed)	Shares held*	Shares acquired/ (disposed)	Shares held*
	at 31-Jul-15 No.	during the year No.	at 31-Jul-16 No.	during the year No.	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
Mr 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 and Directors

Key management person	Transaction type	2017 \$	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.

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		
Investment 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 ACTIVITIES**

	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

Gowings 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

Gowings 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 24 to 58 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) 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.

A handwritten signature in black ink, appearing to be 'J. West'.

Professor J. West
Director

Sydney
28 September 2017

A handwritten signature in black ink, appearing to be 'J. E. Gowing'.

J. E. Gowing
Director

Sydney
28 September 2017



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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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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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
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<p>Valuation of subregional and neighbourhood shopping centre investment properties Note 17</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures to assess the valuation of investment properties included:</p> <ul style="list-style-type: none"> • 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.
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<p>Valuation of Unlisted Equities Note 2, 14 & 15</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures to assess the valuation unlisted equities included:</p> <ul style="list-style-type: none"> • 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.
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
<p>Acquisition of Subsidiary Note 32</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures to assess the allocation of the acquisition purchase price and the acquisition accounting included:</p> <ul style="list-style-type: none"> • 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. <p>Our audit procedures in relation to the independent valuation used by management included:</p> <ul style="list-style-type: none"> • 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.



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.



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 20 to 23 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

S. Grivas

HLB Mann Judd
Chartered Accountants

S Grivas
Partner

Sydney, NSW
28 September 2017