Enriching People's Lives, since 1868

152nd ANNUAL REPORT | For the year ended 31 July 2020

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GOWING BROS

Investing together for a secure future

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Managing Directors Review of Operations

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

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

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

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

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

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

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

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

COVID 19 IMPACTS AND RESPONSE

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

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

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

Some of the safety measures in place:

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

Managing Directors Review of Operations (continued)

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

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

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

OUTLOOK

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

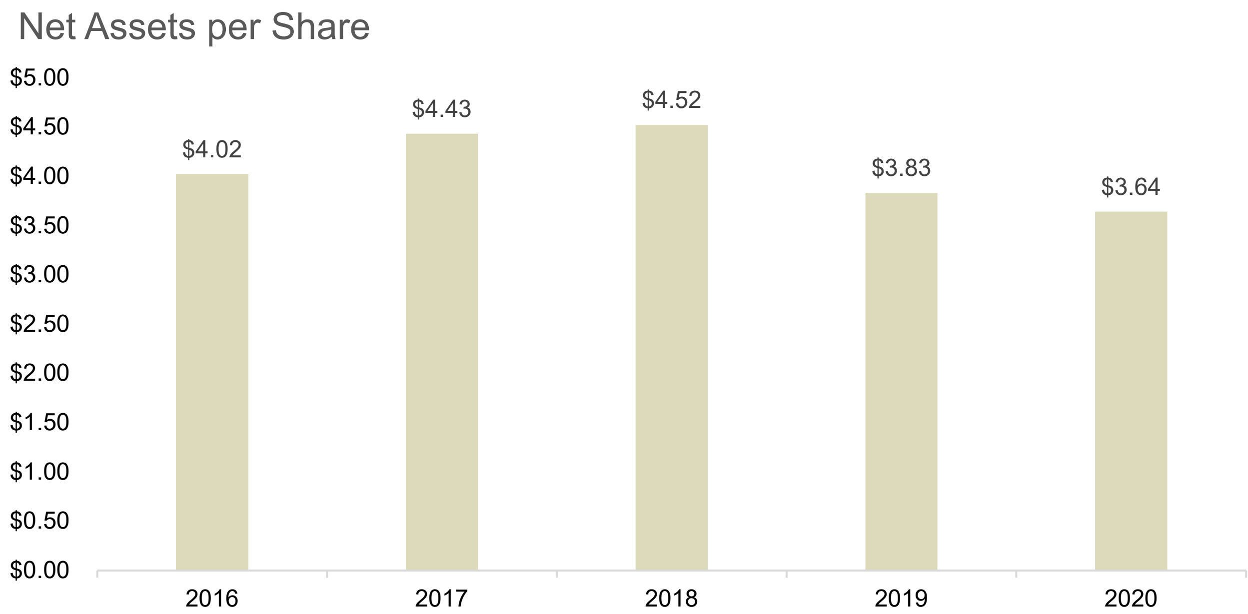
I would like to thank all our team members and the wider Gowings community for their support during this period.

J. E. Gowing
Director

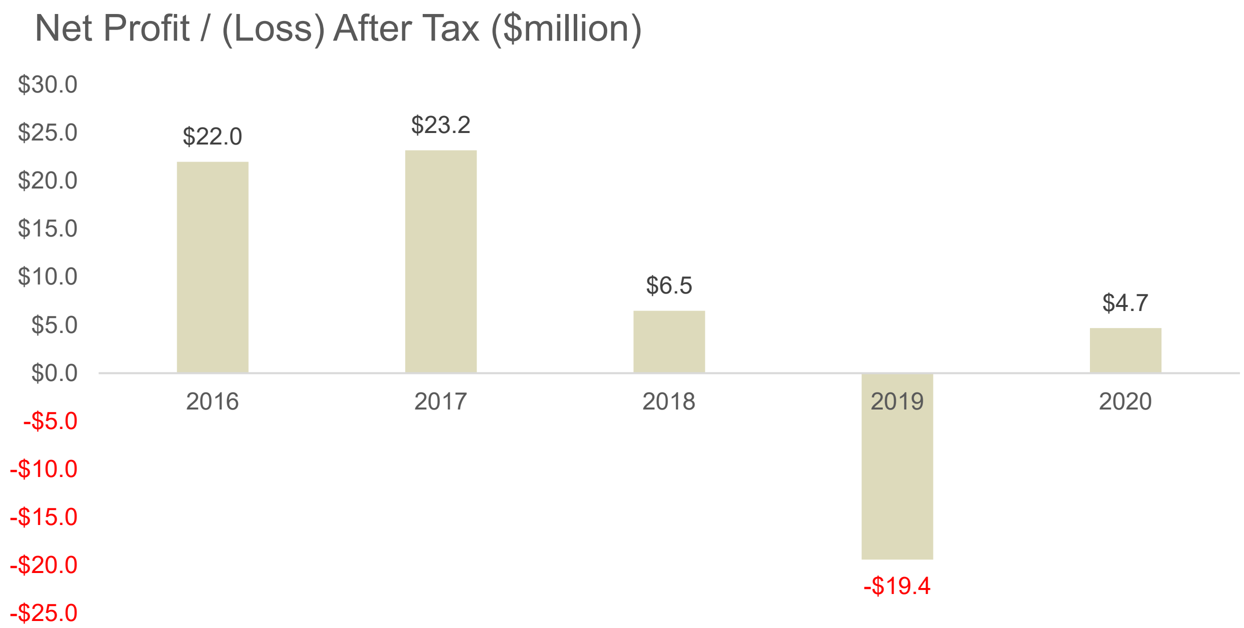
Managing Directors Review of Operations (continued)

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

FINANCIAL REVIEW

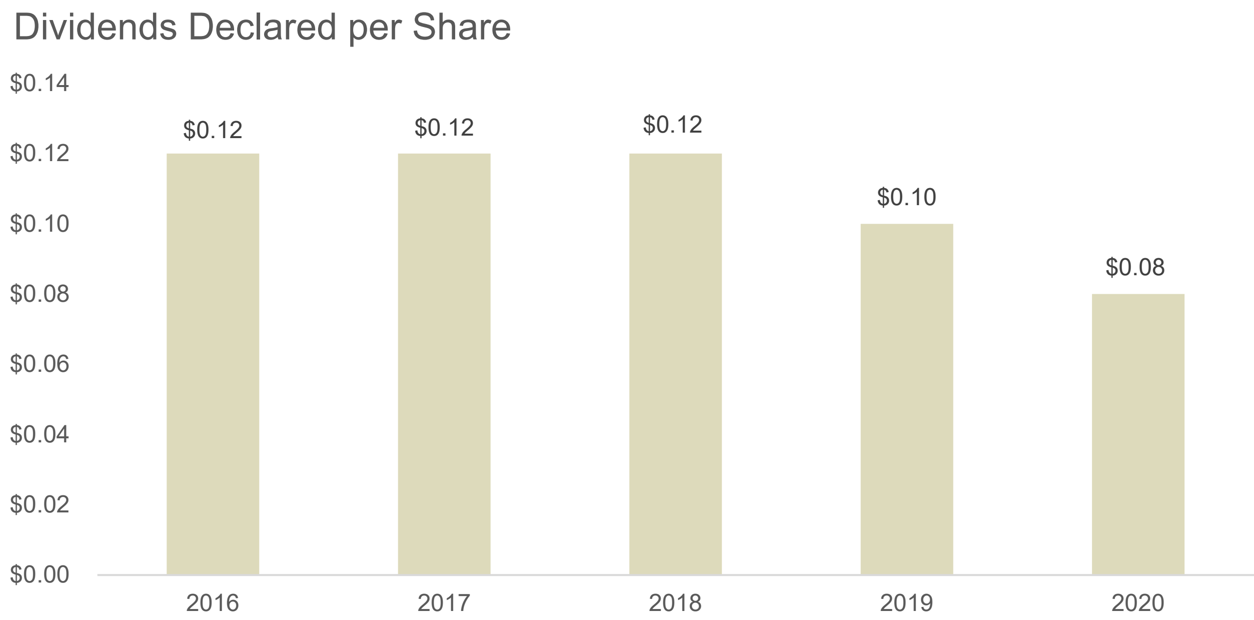


Net assets per share before tax on unrealised gains on equity, investment property, and freehold property decreased (5.0%) to $3.64 as at 31 July 2020, mainly due to the change in market value of the strategic equity investment portfolio. Total shareholder return was (2.3%) including the decrease in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



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

Managing Directors Review of Operations (continued)



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

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

KEY METRICS

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

(1) Net Assets before tax on unrealised gains on equities, investment properties, and freehold properties.

(2) Net Assets per share before tax on unrealised gains on equities, investment properties, and freehold properties.

The Company meets the definition of a Listed Investment Company ("LIC") for taxation purposes. Certain shareholders of the Company, including individuals, trusts, partnerships and complying superannuation entities may benefit from the Company's LIC status by being able to claim a tax deduction for the part of the dividend that is attributable to LIC capital gains made by the Company. The amount that shareholders can claim as a tax deduction depends on their individual situation. As an example, an individual, trust (except a trust that is a complying superannuation entity) or partnership who is an Australian resident taxpayer at the date a dividend is paid would be entitled to a tax deduction equal to 50% of the amount attributable to LIC capital gains included in the dividend.

Managing Directors Review of Operations (continued)

PROFIT AND LOSS STATEMENT

For the year ended	31 Jul 2020 $'000	31 Jul 2019 $'000
Net Income from Ordinary Activities		
Interest Income	211	256
Investment Properties	4,413	7,372
Development Properties	736	-
Equities – Dividend Income	679	726
Managed Private Equities	131	82
Surf Hardware International	1,272	804
Total Net Income from Ordinary Activities	**7,442**	**9,240**
Head Office Expenses		
Administration, public company and other	3,664	4,280
Borrowing Costs	495	470
Operational Profit	**3,283**	**4,490**
Gain/(loss) on sale or revaluation		
Investment properties – unrealised	(959)	(28,454)
Investment properties – realised	2,115	410
Managed private equity – unrealised	386	1,228
Managed private equity - realised	604	-
Derivatives (Fixed Interest Rate Hedge) - unrealised	(290)	(3,319)
Other		
Consulting Costs	(128)	(154)
Other Costs	-	(12)
Other Income	33	24
Profit / (loss) before tax	**5,044**	**(25,787)**
Income tax (expense) / benefit	(297)	6,384
Profit / (Loss) after tax	**4,747**	**(19,403)**

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

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

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

Overall Total Net Income from Ordinary Activities of $7.4 million was lower 19.5% lower than the previous year. To combat this reduction in net income, head office expense were lowered by 14.4% to $3.7 million. This was mainly through a reduction in staff costs via mitigation strategies that were employed to combat COVID-19.

The unrealised loss on investment properties was $1.0 million compared to the prior year of $28.5 million. For more detail on Investment properties please refer to page 13.

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

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

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

Managing Directors Review of Operations (continued)

GOWINGS AT A GLANCE (At Directors Valuation)

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

1 Difference between the investment in Surf Hardware International (at cost) and net assets attributable to the group on consolidation.
2 Fair value of property is based on directors' valuation; however, the property is recorded at cost in the statement of financial position as required by Australian Accounting Standards.

Managing Directors Review of Operations (continued)

INVESTMENT PORTFOLIO

Strategic Investments

<u>Surf Hardware International ($16 million)</u>

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

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

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

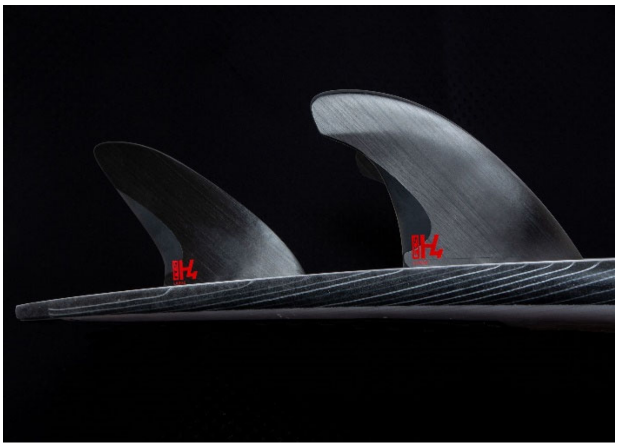
Increasing rates of surfing participation, a change in working conditions leading to an increase in leisure time along with fiscal support from government authorities which stimulated discretionary expenditure on surfing accessories enabled us to recover from the initial impacts of the pandemic and record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

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

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

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

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



Managing Directors Review of Operations (continued)

Boundary Bend ($12.2 million)

Boundary Bend is Australia's leading producer of premium extra virgin olive oil and Australia's largest olive farmer. Boundary Bend produces Australia's two top selling extra virgin olive oil brands, Cobram Estate and Red Island, and owns 2.3 million producing trees on over 6,575 hectares of pristine Australian farmland located in the Murray Valley region of northwest Victoria. Additionally, Boundary Bend operates a bottling, storage and laboratory facility near Geelong and has groves, an olive mill, bottling facilities, laboratory and administrative offices in Woodland, California.

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

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

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

Carlton Investments ($4.7 million) and Event Hospitality Group ($0.9 million)

Carlton Investments Limited is a listed investment company, incorporated in 1928 and traded on the ASX. Carlton Investments' strategy is to invest in established, well managed Australian listed entities that are expected to provide attractive levels of franked dividends and long-term capital growth. Investments are held for the long term and are generally only disposed of through takeover, mergers or other exceptional circumstances that may arise. Carlton Investments do not act as share traders nor do they invest in speculative stocks. Carlton Investments' primary holding is Event Hospitality and Entertainment (34%) followed by substantial positions in the big 4 Australian Banks (17%) and further positions in BHP, AGL, and Wesfarmers. During the period Carlton made significant acquisitions in Santos, Rio Tinto, Fortescue Metals Group, Link Administration, BHP Group, and Woodside Petroleum.

Event Hospitality & Entertainment's (Event) main divisions are cinema exhibition, hotel operations and ownership alongside property development. Their best-known brands include: Event, Greater Union, Rydges, QT hotels, and Thredbo Alpine Resort. Event has suffered due to COVID-19 restrictions with full year revenue down 22.3% and a net loss after tax of $11.4m. Prior to COVID-19 Event recorded revenue up 2.5% and normalised profit up 2.2%. The group has been able to achieve $140m in cost reductions during the period and Jane Hastings (CEO) believes business will rebound relatively quickly once restrictions are lifted due to pent-up demand. Event has increased their debt facilities to $750m, the majority of which matures in 2023, they have a strong balance sheet, underpinned by a solid property portfolio.

Hydration Pharmaceuticals ($1.3 million)

Hydralyte markets great tasting clinical hydration products that are scientifically formulated to contain the correct balance of glucose and electrolytes for rapid rehydration. Hydralyte products have up to 75% less sugar and 4 times the electrolytes compared to leading sports drinks and are based on the World Health Organization criteria for effective rehydration. Hydralyte products fill a consumer need by providing a solution that is both appealing and effective.

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

Managing Directors Review of Operations (continued)

Murray Darling Food Company ($2.2 million)

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

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

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

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

DiCE Molecules ($2.3 million)

DiCE Molecules is a privately held US biotechnology company running a technology platform that began at Stanford University and has the potential to revolutionize small molecule drug discovery. Their business model includes the generation of milestone payments and royalty revenue through drug discovery collaborations, alongside the monetization of its own drug development assets.

DiCE has been making great progress in 2020, despite the COVID-19 related challenges. DiCE now has an orally available drug candidate approaching clinical development, this candidate has a strong potential for an efficacious and convenient oral treatment for psoriasis. Additionally, DiCE is continuing work on their Sanofi-partnered immunology small molecule program which they are seeking to advance into preclinical studies this year. If these drug developments are executed successfully the potential payoffs are large and Gowings is excited to watch DiCE bring these products forward.

BBBSA Finance ($2.4 Million)

BBBSA Finance (BBBSA), trading as TrailBlazer Finance, is a specialist financial services lender. It offers business loans, valuations and M&A advice and execution services, specifically tailored for financial intermediaries. Client businesses include mortgage brokerage; financial planning firms; wealth management; insurance and finance brokers; residential real estate management and tax & accounting practices. Its advice and product offerings are broad and include a specialisation in SME and small listed companies.

In late FY2018 Gowings made a strategic investment and assumed a board seat in BBBSA Finance Pty Ltd. The company has continued to grow and expand, consistent with prior periods. It has been a beneficiary of the Hayne Royal Commission which has further exacerbated the reluctance by major banks to continue to provide credit facilities to SME's that are cashflow backed. This has enabled TrailBlazer Finance to grow to over $14.4 billion dollars of underlying mortgages, real estate rental contracts and financial planning books that underpin its loan book security. This annuity income serves as the source of cashflows that support and service its loan book. At the time of writing TrailBlazer has no loan defaults and arrears of less than 1% on a loan book of almost $24,000,000 (June 2020).

National Stock Exchange of Australia Limited ($0.9 million)

NSX owns and operates the National Stock Exchange of Australia; the second largest listings exchange in Australia. NSX is building an alternative exchange, creating a deeper, more liquid and a lower cost of raising capital. Gowings believes NSX has the potential to develop into a Tier 1 listings exchange, providing strong growth by initially targeting lower market capitalisation companies and providing exchange services at lower cost.

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

Managing Directors Review of Operations (continued)

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

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

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

Hexima ($0.9 million)

Hexima is a biotechnology company actively engaged in the research and development of plant-derived proteins and peptides for applications as human therapeutics. Hexima's lead product (HXP124) is a topical treatment for nail fungus (onychomycosis). HXP124 is an easy to apply solution that is painted onto nails, and rapidly clears fungus from the nail bed.

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

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

Blackfynn ($0.4 Million)

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

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

EFTsure ($0.6 million)

EFTSure provides Australian organisations access to correct, verified and up-to-date information on their payees through their 'Know Your Payee™' (KYP) technology. This helps protect companies against fraud and errors made through incorrect, fraudulently changed, or maliciously altered payee information.

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

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

Gowings continues to back EFTSure as the strongest provider for improving the security of electronic transactions and expect them to continue gathering market share.

Managing Directors Review of Operations (continued)

PowerPollen Accelerated Ag Technologies ($0.9 million)

PowerPollen is an early-stage agricultural technology company based in Iowa, USA, that is working on advanced yield enhancement technology that enables higher yields in seed and grain production. PowerPollen has created a paradigm shift in agriculture by revolutionizing how plants reproduce, providing unprecedented control of pollination that simplifies corn seed production while potentially enabling hybrid production and higher profits in current low profit crops like wheat. This break-through will increase farmer profits and global food supplies that are necessary to feed a population that is expected to grow to 9 billion by the year 2050.

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

Managing Directors Review of Operations (continued)

Private Equity Funds

Five V Capital ($1.6 million)

Five V Capital was set up and is managed by Adrian MacKenzie and Srdjan Dangubic, experienced Australian private equity and venture capital managers with whom Gowings have enjoyed a long relationship. Gowings have committed $1 million to Five V's Fund II which has invested in leading businesses across a range of sectors including healthcare, retail, media, consumer, technology, and financial services. The Five V focus is on businesses with an enterprise value of between $20 million and $200 million, where they can take a significant ownership position alongside their partners. The principals of Five V Capital have committed a substantial amount of their own capital to Fund II, driving alignment of interests between the managers and investors.

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

OurCrowd Australia ($1.2 million)

OurCrowd is the leading global equity crowdfunding platform for accredited investors, selecting investment opportunities and bringing companies to its global investment community as an opportunity for investment. OurCrowd has reached almost 17,000 investors from over 110 countries and has $1 billion in funds under management with over 110 portfolio companies and funds.

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

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

Our Innovation Fund ($1.8 million)

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

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

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

Managing Directors Review of Operations (continued)

Pacific Coast Shopping Centre Portfolio

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

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

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

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

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

Kempsey Central's $7 million rooftop cinema complex was completed in November 2019.

Coffs Central's newest retail mix for 2020 includes NAB and Brennan's Quality Meats.

Port Central benefited from a new retail outlet, Port Central Pantry and also saw the return of MyHouse.

Managing Directors Review of Operations (continued)

Moonee Marketplace

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

Other Direct Properties

Sawtell Commons – Residential Subdivision

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

Managing Directors Review of Operations (continued)

<u>The Forestry – Development Site</u>

The Jetty development site located at 357 Harbour Drive has now been demolished, paving the way for an exciting new mixed-use development for Gowings. DFJ Architecture continue to work closely with stakeholders to progress plans that align with the master plan for the Jetty region. The Gowings development should form a cornerstone in the Council-planned creation of a vibrant Jetty precinct.

Financial Report

The consolidated financial statements were authorised for issue by the Directors on 30 October 2020. 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 2020.

Results

For the year ended	31 July 2020 $'000	31 July 2019 $'000
Operating profit / (loss) for the year before income tax	5,044	(25,787)
Income tax (expense) / benefit	(297)	6,384
Net profit / (loss) after income tax	4,747	(19,403)
Net profit / (loss) attributable to members of Gowing Bros. Limited	4,747	(19,403)

Dividends

A final fully franked LIC dividend of 3.0 cents per share was paid to shareholders on 29 October 2020.	$1,609,387
An interim fully franked LIC dividend of 5.0c per share was paid to shareholders on 30 April 2020	$2,690,050
A final fully franked dividend of 5.0 cents per share was paid to shareholders on 31 October 2019.	$2,696,960
An interim fully franked dividend of 5.0c per share was paid to shareholders on 30 April 2019	$2,689,559

Review of operations

The operations of the Company are reviewed in the Managing Director's 'Review of Operations' on page 1.

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 1.

Director's and Executive's Interests

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

		Total Shares
Professor J. West Non-Executive Chairman	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	477,581
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	21,042,598
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	57,306
S. J. Clancy Non-Executive Director	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
R. Ambrogio Chief Financial Officer and joint company secretary	Bachelor of Economics, CA Mr. Ambrogio was appointed as Chief Financial Officer on 1 February 2017 and has over 20 years' experience in managing and leading finance teams across advertising, marketing and social services sectors. Robert's experience comes from his past employment with Arthur Andersen, XM Holdings, Creative Activation, and MTC Australia.	10,000
I.H. Morgan Joint Company Secretary	Bachelor of Business, Master of Law, Grad Dip Applied Finance and Investment Mr. Morgan was appointed company secretary on 18 April 2019 and has over 35 years experience as a Company Secretary and Chartered Accountant for businesses operating both in Australia and overseas.	-

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	4	4	1	-	-	-
J. E. Gowing	4	4	-	-	2	2
J. G. Parker	4	4	1	1	-	-
S. J. Clancy	4	4	1	1	2	2

Given the significant health concerns attributed to the COVID-19 pandemic, in addition to guidelines and restrictions issued by Australian state and federal governments, the Company considers that it is appropriate for members of the Company's Board and its Committees to communicate electronically. When required, the Board has resolved matters by circular resolution.

During the year ended 31 July 2020, meetings were held in person, by telephone and by email. Where necessary, circular resolutions were also approved.

Remuneration report

The Company's remuneration report, which forms a part of the Directors' Report, is on pages 21 to 24.

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 64.

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.

	2020 $	2019 $
Audit services		
Audit and review of financial reports under the Corporations Act 2001	194,100	187,000
Taxation services		
Tax compliance services, including review of Company income tax returns	35,330	29,520

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, NSW
30 October 2020

J. E. Gowing
Director

Sydney, NSW
30 October 2020

Remuneration Report

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

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

Non-executive Directors

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

Persons who were Non-executive Directors of the Company for all or part of the financial year ended 31 July 2020 were:

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

Directors' fees

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

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

Executives

Executives are officers of the Company who are involved in, concerned with, take part in and are able to influence decisions in the management of the affairs of the Company. Persons who were executives for all or part of the financial year ended 31 July 2020 were:

- J. E. Gowing, Managing Director
- R. Ambrogio, Chief Financial Officer and joint Company Secretary

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 2020 Financial Year bonus is limited to 40% of the base package of the relevant executive, subject to the discretion of the Remuneration Committee, for exceptional performance.

Details of Remuneration

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

2020	Short term					Share based	Post - Employment	Long term	Total
	Cash salary and fee	Consultancy Fees	Cash bonus	Movement in provision for annual leave	Non-monetary benefits	Share bonus	Superannuation	Movement in provision for long service leave	
Non- executive Directors									
Prof J. West (Chairman)	25,571	94,277	-	-	-	-	5,211	-	125,059
J. G. Parker	47,000	17,047	-	-	-	-	10,620	-	74,667
S. J. Clancy	51,142	-	-	-	-	-	4,858	-	56,000
	123,713	111,324	-	-	-	-	20,689	-	255,726
Executive Directors									
J. E. Gowing	243,384	-	-	39,155	836	-	18,282	4,962	306,619
Other key management personnel									
R. Ambrogio	198,250	-	22,831	5,100	-	-	21,138	3,751	251,070
Total key management personnel compensation	**565,347**	**111,324**	**22,831**	**44,255**	**836**	**-**	**60,109**	**8,713**	**813,415**

2019	Short Term					Share based	Post - Employment	Long term	Total
	Cash salary and fee	Consultancy Fees	Cash bonus	Movement in provision for annual leave	Non-monetary benefits	Share bonus	Superannuation	Movement in provision for long service leave	
Non- executive Directors									
Prof J. West (Chairman)	27,397	100,000	-	-	-	-	2,603	-	130,000
J. G. Parker	50,000	10,654	-	-	-	-	11,012	-	71,666
S. J. Clancy	54,795	-	-	-	-	-	5,205	-	60,000
	132,192	110,654	-	-	-	-	18,820	-	261,666
Executive Directors									
J. E. Gowing	289,951	-	-	(16,728)	1,133	-	20,049	4,948	299,353
Other key management personnel									
R. Ambrogio	219,178	-	-	1,686	-	-	20,822	3,741	245,427
N. Rogan [1]	221,347	-	-	(5,666)	-	-	14,693	(1,257)	229,117
Total key management personnel compensation	**862,668**	**110,654**	**-**	**(20,708)**	**1,133**	**-**	**74,384**	**7,432**	**1,035,563**

1 N. Rogan resigned from his position as Head of Funds Management and Company Secretary on 19 April 2019.

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

	Fixed		Performance	
	2020 (%)	2019 (%)	2020 (%)	2019 (%)
Executive Directors				
J. E. Gowing	100	100	-	-
Other Key Management personnel				
R. Ambrogio	91	100	9	-
N. Rogan (resigned 19 April 2019)	-	100	-	-

Service agreements

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

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

Other major provisions relating to remuneration are set out below:

J. E. Gowing, Managing Director

- No fixed term.
- Base salary, inclusive of superannuation, as at 31 July 2020 of $310,000, to be reviewed annually by the Remuneration Committee.
- Non-monetary benefits included motor vehicle and FBT related charges for the year ended 31 July 2020 of $836.
- No termination benefit is payable.

R. Ambrogio, Chief Financial Officer

- No fixed term.
- Base salary, inclusive of superannuation, as at 31 July 2020 of $265,000, 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:

	2020	2019	2018	2017	2016
Net profit / (loss) after tax	$4.7m	($19.4)m	$6.5m	$23.2m	$22.0m
Basic and diluted earnings / (loss) per share	8.82c	(36.07)c	12.18c	43.29c	40.92c
Dividends per share - declared	8.0c	10.0c	12.0c	12.0c	12.0c
Share buy back – number of shares	193k	-	47k	12k	181k
Share buy back – value	$393k	-	$135k	$41k	$565k
Share price at financial year end	$1.34	$2.45	$2.89	$3.23	$3.62

ASX Listing Requirements

1. Shareholders at 15 October 2020

Reconciliation of level 3 fair value movements	No. of shareholders
1 - 1,000 shares	339
1,001 – 5,000 shares	445
5,001 – 10,000 shares	171
10,001 – 100,000 shares	376
Over 100,000 shares	55
Total shareholders	1,386

The number of shareholdings held in less than marketable parcels is 174.

2. Voting Rights

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

3. Substantial Shareholders at 15 October 2020

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

John Edward Gowing	21,042,598	Ordinary shares
Carlton Hotel Limited	4,701,144	Ordinary shares

4. Top 20 Equity Security Holders at 15 October 2020

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

		No. of ordinary shares	% of issued shares
1	Audley Investments Pty Ltd	15,711,151	29.29
2	Carlton Hotel Limited	4,701,144	8.76
3	Mr John Edward Gowing	3,676,709	6.85
4	Mr John Gowing	1,187,189	2.21
5	J P Morgan Nominees Australia Pty Limited	1,161,759	2.17
6	Mr Frederick Bruce Wareham	1,152,358	2.15
7	Ace Property Holdings Pty Ltd	1,120,000	2.09
8	Charles and Cornelia Goode Foundation Pty Ltd	1,100,000	2.05
9	Mr Ronald Langley & Mrs Rhonda Langley	674,580	1.26
10	Enbeear Pty Limited	636,829	1.19
11	Beta Gamma Pty Ltd	630,368	1.18
12	BNP Paribas Nominees Pty Ltd	610,599	1.14
13	Mr Graeme Legge	598,690	1.12
14	Mrs Jean Kathleen Poole-Williamson	568,443	1.06
15	T N Phillips Investments Pty Ltd	550,000	1.03
16	Jamina Investments Pty Ltd	441,258	0.82
17	Cranley Holdings Pty Limited	283,453	0.53
18	Cadmea Pty Ltd	277,350	0.52
19	Capitol Securities Pty Ltd	276,000	0.51
20	Howard Hargrave Pty Limited	230,017	0.43
Total		35,587,897	66.34
Total issued share capital		53,646,240	

5. Corporate Governance Practices

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

Consolidated Statement of Profit or Loss

For the year ended	Notes	31 July 2020 $'000	31 July 2019 $'000
Revenue			
Interest income		211	256
Equities		679	726
Private equities	5	131	82
Investment properties	17	15,819	20,835
Development properties		2,277	-
Revenue from the sale of goods (Surf Hardware International)		42,660	42,538
Total revenue		**61,777**	**64,437**
Other income			
Gains / (losses) on disposal or revaluation of:			
Private equities	15	990	1,228
Investment properties	17	1,156	(28,044)
Derivatives		(290)	(3,319)
Other income		1,193	943
Total other income / (loss)		**3,049**	**(29,192)**
Total revenue and other income		**64,826**	**35,245**
Expenses			
Investment properties	17	7,490	8,859
Development properties		1,541	-
Finished goods, raw materials and other operating expenses (Surf Hardware International)		40,637	41,881
Administration		1,644	1,323
Borrowing costs	5	4,716	5,211
Depreciation and amortisation		1,805	815
Employee benefits		1,499	2,490
Public company		450	453
Total expenses		**59,782**	**61,032**
Profit / (Loss) from continuing operations before income tax expense		**5,044**	**(25,787)**
Income tax (expense) / benefit	6	(297)	6,384
Profit / (Loss) from continuing operations		**4,747**	**(19,403)**
Profit / (loss) from continuing operations is attributable to:			
Members of Gowing Bros. Limited		4,747	(19,403)
Non-controlling interests		-	-
Profit / (Loss) from continuing operations		**4,747**	**(19,403)**

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

Consolidated Statement of Other Comprehensive Income

For the year ended	Notes	31 July 2020 $'000	31 July 2019 $'000
Profit / (loss) from continuing operations		**4,747**	**(19,403)**
Other comprehensive income / (loss)			
Items that will be reclassified to profit or loss:			
Exchange rate differences on translating foreign operations, net of tax		(197)	254
Items that may be reclassified to profit or loss:			
Changes in fair value of equity instruments held at fair value through other comprehensive income, net of tax		(5,819)	(596)
Total comprehensive loss		**(1,269)**	**(19,745)**
Total comprehensive income loss attributable to:			
Members of Gowing Bros. Limited		(1,269)	(19,745)
Non-controlling interests		-	-
Total comprehensive loss		**(1,269)**	**(19,745)**
Earnings / (loss) per share			
Basic earnings / (loss) per share	41	8.82	(36.07)c
Diluted earnings / (loss) per share	41	8.82	(36.07)c

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

Consolidated Statement of Financial Position

As at	Notes	31 July 2020 $'000	31 July 2019 $'000
Current assets			
Cash and cash equivalents	7	18,599	11,314
Loans receivable	8	-	89
Inventories	11	5,095	6,538
Trade and other receivables	9	7,412	8,885
Current tax receivable		-	84
Other	10	1,166	1,750
Total current assets		**32,272**	**28,660**
Non-current assets			
Other receivables	12	62	480
Loans receivable	13	2,700	2,400
Equities	14	32,265	40,021
Private equities	15	4,751	4,907
Development properties	16	16,117	16,164
Investment properties	17	202,442	232,016
Property, plant and equipment	18	8,504	8,778
Intangibles	19	4,485	4,536
Right of use assets	20	2,802	-
Deferred tax assets	21	3,610	3,406
Other	22	1,769	1,800
Total non-current assets		**279,507**	**314,508**
Total assets		**311,779**	**343,168**
Current liabilities			
Trade and other payables	23	5,042	7,370
Borrowings	24	1,824	2,453
Lease liabilities	25	1,030	-
Derivatives		1,439	895
Current tax liabilities	26	5,032	-
Provisions	27	1,402	1,330
Total current liabilities		**15,769**	**12,048**
Non-current liabilities			
Trade and other payables		169	222
Borrowings	28	84,386	107,073
Lease liabilities	29	1,970	-
Derivatives		2,878	3,132
Provisions	30	482	547
Deferred tax liabilities	31	22,050	29,022
Total non-current liabilities		**111,935**	**139,996**
Total liabilities		**127,704**	**152,044**
Net assets		**184,075**	**191,124**
Equity			
Contributed equity	32	12,895	13,288
Reserves	33	95,151	100,796
Retained profits		76,031	77,042
Contributed equity and reserves attributable to members of Gowings Bros. Limited		**184,077**	**191,126**
Non-controlling interests		(2)	(2)
Total equity		**184,075**	**191,124**

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

Consolidated Statement of Changes In Equity

	Contributed Equity $'000	Capital Profits Reserve- Pre CGT Profits $'000	Revaluation Reserves $'000	Foreign Currency Translation Reserve $'000	Retained Profits $'000	Non-Controlling Interests $'000	Total $'000
Balance at 31 July 2018	**12,476**	**90,503**	**11,313**	**140**	**101,535**	**(2)**	**215,965**
Total comprehensive income / (loss) for the year	-	-	(596)	254	(19,403)	-	(19,745)
Transfer of gains on disposal of equity instruments at fair value through comprehensive income to retained earnings, net of tax	-	-	(818)	-	818	-	-
Transactions with owners in their capacity as owners:							
Issue of ordinary shares	812	-	-	-	-	-	812
Dividends declared	-	-	-	-	(5,908)	-	(5,908)
Balance at 31 July 2019	**13,288**	**90,503**	**9,899**	**394**	**77,042**	**(2)**	**191,124**
Total comprehensive income / (loss) for the year	-	-	(5,819)	(197)	4,747	-	(1,269)
Transfer of losses on disposal of equity instruments at fair value through comprehensive income to retained profits, net of tax	-	-	371	-	(371)	-	-
Transactions with owners in their capacity as owners:							
Share buy-back	(393)	-	-	-	-	-	(393)
Dividends declared	-	-	-	-	(5,387)		(5,387)
Balance at 31 July 2020	**12,895**	**90,503**	**4,451**	**197**	**76,031**	**(2)**	**184,075**

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

Consolidated Statement of Cash Flows

For the year ended	Notes	31 July 2020 $'000	31 July 2019 $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		67,260	69,735
Payments to suppliers and employees (inclusive of GST)		(56,053)	(58,982)
Dividends received		679	726
Interest received		211	256
Borrowing costs paid		(4,716)	(5,211)
Income taxes received (paid)		470	(355)
Net cash inflows from operating activities	**43**	**7,851**	**6,169**
Cash flows from investing activities			
Payments for purchases of properties, plant and equipment		(213)	(654)
Payments for purchases of intangibles		(210)	(472)
Payments for purchases of development properties		(1,817)	(2,083)
Payments for purchases of investment properties		(3,540)	(5,398)
Payments for purchases of equity investments		(5,086)	(8,698)
Loans made		(300)	(1,089)
Proceeds from repayment of loans made		89	-
Proceeds from sale of properties, plant and equipment		10	70
Proceeds from sale of development properties		2,277	-
Proceeds from sale of equity investments		5,675	4,378
Proceeds from sale of investment properties		32,452	1,831
Net cash inflows / (outflows) from investing activities		**29,337**	**(12,115)**
Cash flows from financing activities			
Payments for share buy-backs		(393)	-
Proceeds from borrowings	44	6,000	17,692
Repayment of borrowings	44	(29,316)	(630)
Repayments of lease liabilities		(807)	-
Dividends paid	34	(5,387)	(5,096)
Net cash (outflows) / inflows from financing activities		**(29,903)**	**11,966**
Net increase in cash held		7,285	6,020
Cash and cash equivalents at the beginning of the financial year		11,314	5,294
Cash and cash equivalents at the end of the financial year	**7**	**18,599**	**11,314**

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 (financial assets at fair value through other comprehensive income), 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.

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

New, revised or amending Accounting Standards and Interpretations adopted
The Group has adopted all new, revised or amending Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

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

The Group had to change its accounting policies as a result of adopting AASB 16: Leases. The impact of the adoption of this standard and the respective accounting policies are disclosed below.

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

Other amending Accounting Standards and Interpretations
Several other amending Accounting Standards and Interpretations apply for the first time for the current reporting period commencing 1 August 2019. These other amending Accounting Standards and Interpretations did not result in any adjustments to the amounts recognised or disclosures in the financial report.

New, revised or amending Accounting Standards and Interpretations issued but not yet mandatory
Certain new Australian Accounting Standards and Interpretations have been recently published that are not yet mandatory for the reporting period ended 31 July 2020. The Group's assessment is that these new Australian Accounting Standards and Interpretations are not expected to have a material impact on the Group in future reporting periods.

(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 2020. 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 38.

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 interests are shown separately within 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 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 non-financial 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) Right of use assets
A right of use asset is recognised at the commencement date of a lease. The right of use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right of use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right of use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(k) 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.

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

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

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

(m) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Sales of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

(v) Other investment revenue
Trust income and option income is recognised when earned.

(vi) Other property revenue
Other property revenue is recognised in accordance with underlying agreements or when the right to receive payment is established.

(vii) Interest revenue
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(n) Trade and other receivables

Receivables consists mainly of amounts due for rental income and sale of goods. Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Amounts are usually due between seven and ninety days from invoice date. Amounts due for the sale of financial assets and properties are usually due on settlement unless the specific contract provides for extended terms.

(o) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

(i) Financial assets at fair value through profit of loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

(ii) Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

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 unobservable inputs and maximising the use of relevant observable inputs.

(iii) Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Investment properties

Investment properties, principally comprising freehold commercial and retail buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

(q) 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 39.

(r) Trade and other payables

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

(s) Borrowings

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. 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.

(t) 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.

(u) Employee entitlements

(i) Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave 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.

(v) 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.

(w) 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.

(x) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right of use asset is fully written down.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) 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.

(z) 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.

2. FINANCIAL RISK MANAGEMENT

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

Market risk

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

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

	31 July 2020				31 July 2019			
Currency exposure in AUD	**USD $'000**	**EUR $'000**	**GBP $'000**	**JPY $'000**	**USD $'000**	**EUR $'000**	**GBP $'000**	**JPY $'000**
Cash and cash equivalents	1,519	432	19	355	612	424	13	388
Trade and other receivables	2,685	2,199	-	1,330	2,862	2,233	-	983
Trade and other payables	(506)	(331)	(16)	(627)	(498)	(312)	(24)	(486)
Borrowings	-	-	-	(76)	-	-	-	-
Lease liabilities	(1,659)	(240)	(28)	(411)	-	-	-	-
Equities	4,923	-	-	-	4,467	-	-	-
Private equities	1,248	50	-	-	1,375	459	-	-

Based on the cash held at 31 July 2020, if the Australian dollar weakened / strengthened by 10% against the US dollar, cash would have been $170,000 higher / $139,000 lower (2019: $68,000 higher / $55,636 lower). If the Australian dollar weakened / strengthened by 10% against the GBP, cash would have been $2,000 higher / $2,000 lower (2019: $1,444 higher / $1,182 lower). If the Australian dollar weakened / strengthened by 10% against the EUR, cash would have been $48,000 higher / $39,000 lower (2019: $47,111 higher / $38,545 lower). If the Australian dollar weakened / strengthened by 10% against the JPY, cash would have been $39,000 higher / $32,000 lower (2019: $43,111 higher / $35,273 lower).

Based on the trade receivables held at 31 July 2020, if the Australian dollar weakened / strengthened by 10% against the US dollar, receivables would have been $298,000 higher / $244,000 lower (2019: $318,000 higher / $260,182 lower). If the Australian dollar weakened/strengthened by 10% against the EUR, receivables would have been $244,000 higher / $200,000 lower (2019: $248,111 higher/ $203,000 lower). If the Australian dollar weakened/strengthened by 10% against the JPY, receivables would have been $148,000 higher / $121,000 lower (2019: $109,222 higher/ $89,364 lower).

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Based on the trade payables held at 31 July 2020, if the Australian dollar weakened / strengthened by 10% against the US dollar, payables would have been $56,000 higher / $46,000 lower (2019: $55,384 higher / $45,315 lower). If the Australian dollar weakened/strengthened by 10% against the EUR, payables would have been $37,000 higher/ $30,000 lower (2019: $34,624 higher/ $28,329 lower). If the Australian dollar weakened/strengthened by 10% against the GBP, payables would have been $2,000 higher/ $1,000 lower (2019: $2,621 higher/ $2,144 lower). If the Australian dollar weakened/strengthened by 10% against the JPY, payables would have been $70,000 higher/ $57,000 lower (2019: $53,996 higher/ $44,179 lower).

Based on the borrowings held at 31 July 2020, if the Australian dollar weakened / strengthened by 10% against the JPY, borrowings would have been $8,000 higher / $7,000 lower.

Based on the lease liabilities held at 31 July 2020, if the Australian dollar weakened / strengthened by 10% against the US dollar, lease liabilities would have been $184,000 higher / $151,000 lower. If the Australian dollar weakened/strengthened by 10% against the EUR, lease liabilities would have been $27,000 higher/ $22,000 lower. If the Australian dollar weakened/strengthened by 10% against the GBP, lease liabilities would have been $3,000 higher/ $3,000 lower. If the Australian dollar weakened/strengthened by 10% against the JPY, lease liabilities would have been $46,000 higher/ $37,000 lower.

Based on the equities held at 31 July 2020, if the Australian dollar weakened / strengthened by 10% against the US dollar, equities would have been $547,000 higher / $448,000 lower (2019: $496,299 higher / $406,063 lower).

Based on the private equities held at 31 July 2020, if the Australian dollar weakened / strengthened by 10% against the US dollar, private equities would have been $139,000 higher / $113,000 lower (2019: $152,802 higher / $125,020 lower). If the Australian dollar weakened / strengthened by 10% against the Euro, private equities would have been $6,000 higher / $5,000 lower (2019: $50,954 higher / $41,689 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.

(ii) Price risk
The Group is exposed to asset price risk. This arises from equities and private equities held by the Group. A price reduction at 5% and 10% spread equally over the investment portfolio would reduce its value by $1,850,811 (2019: $2,246,410) and $3,701,622 (2019: $4,492,820) 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) Interest rate risk
The Group's interest-rate risk arises from long-term borrowings and cash on deposit. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group's interest bearing assets include deposits on the overnight money market. Interest earnt on these deposits varies according to the Reserve Bank's monetary policy decisions.

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

	31 July 2020		31 July 2019	
	Weighted average interest rate	Balance $'000	Weighted average interest rate	Balance $'000
Borrowings	0.87%	86,210	1.38%	109,526
Interest rate swaps (notional principal amount)	2.64%	(60,200)	2.64%	(60,200)
Net exposure to cash flow interest rate risk		26,010		49,326

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

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

Liquidity risk

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

Maturity of Financial Liabilities

31 July 2020	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	5,042	168	-	-	5,210
Fixed rate	1,030	1,053	917	-	3,000
Variable rate	1,825	76	84,309	-	86,210
Total non-derivatives	7,897	1,297	85,226	-	94,420
Derivatives					
Fixed rate	1,439	1,439	1,439	-	4,317

31 July 2019	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	7,370	222	-	-	7,592
Variable rate	2,453	328	106,745	-	109,526
Total non-derivatives	9,823	550	106,745	-	117,118
Derivatives					
Fixed rate	895	895	2,237	-	4,027

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 than 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.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value hierarchy (continued)

The following tables present the Group's assets and liabilities measured at fair value at 31 July 2020 and 31 July 2019.

31 July 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets – designated at fair value through other comprehensive income				
Investments – Australian equities	11,419	-	15,923	27,342
Investments – Global equities	-	-	4,923	4,923
Financial assets – designated at fair values through profit or loss				
Investments – Private equities	-	-	4,751	4,751
Investments – Investment properties	-	-	202,442	202,442
Other assets – designated at fair value				
Freehold – Properties	-	-	7,061	7,061
Financial liabilities – designated at fair value through profit or loss				
Derivatives	-	(4,317)	-	(4,317)
Total	11,419	(4,317)	235,100	242,202

31 July 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets – designated at fair value through other comprehensive income				
Investments – Australian equities	17,257	-	18,297	35,554
Investments – Global equities	-	-	4,467	4,467
Financial assets – designated at fair values through profit or loss				
Investments – Private equities	-	-	4,907	4,907
Investments – Investment properties	-	-	232,016	232,016
Other assets – designated at fair value				
Freehold – Properties	-	-	7,105	7,105
Financial liabilities – designated at fair value through profit or loss				
Derivatives	-	(4,027)	-	(4,027)
Total	17,257	(4,027)	266,792	280,022

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

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

- The fair value of listed equities is based on quoted market prices at the reporting date.
- The fair value of directly held unlisted equity investments is determined by management valuations in accordance with the AVCAL valuation guidelines. A variety of methods are used including reference to recent shares issued and net assets of underlying investments.
- The fair value of investment properties are determined by capitalisation rates derived by using the income approach method and/or using external registered property valuers: refer to note 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 fair value of freehold properties included in Property, Plant and equipment is determined by Directors based on comparable property market information.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Reconciliation of level 3 fair value movements	31 July 2020 $'000	31 July 2019 $'000
Opening balance	266,792	291,073
Transfers to level 1	-	-
Transfers from development properties	-	64
Purchases	3,516	7,503
Sales	(33,871)	(2,162)
Amortisation and depreciation	(769)	(1,386)
Gain recognised in profit or loss or other comprehensive income	(568)	(28,300)
Closing balance	**235,100**	**266,792**

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 2020 was a gain of $386,388 (2019: a gain of $1,228,471) 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 loss of $959,257 (2019: loss of $28,453,509).

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

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

For the year ended	31 July 2020 $'000	31 July 2019 $'000
Revenue from external customers by geographical region		
Australia	29,157	31,880
United States of America	14,498	13,386
Japan	7,123	7,206
Europe	9,978	10,901
Total revenue from external customers	**60,756**	**63,373**

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

4. SEGMENT INFORMATION (CONTINUED)

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

As at	31 July 2020 $'000	31 July 2019 $'000
Non-current assets by geographical region		
Australia	269,328	307,015
United States of America	8,951	7,116
Japan	829	202
Europe	399	175
Total non-current assets	**279,507**	**314,508**

For the year ended	31 July 2020 $'000	31 July 2019 $'000
Payments for the acquisition of:		
- Investment properties	3,540	5,398
- Development properties	1,817	2,083
- Equities	5,086	8,698
Gains / (losses) on disposal or revaluation of:		
- Investment properties	1,156	(28,044)
- Private equities	990	1,228
Unallocated:		
- Payments for the acquisition of property, plant and equipment	213	654
- Payments for the acquisition of intangibles	210	472

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.

4. SEGMENT INFORMATION (CONTINUED)

Accounting policies (continued)

Surf Hardware International business segment
Segment assets include all assets (excluding operating cash of $3.27 million (2019: $1.56 million) which is included in the cash segment) used by the Surf Hardware International business segment and consist primarily of trade and other receivables, inventories, plant and equipment, right of use assets and intangibles, net of related provisions. Segment liabilities consist of borrowings, trade and other payables, lease liabilities and employee entitlements. Segment assets and liabilities do not include income taxes. Tax assets and liabilities are represented as unallocated amounts.

Segment cash flows

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

5. OPERATING PROFIT

For the year ended	31 July 2020 $'000	31 July 2019 $'000
Profit / (loss) from continuing operations before income tax expense includes the following specific items:		
Gains		
Private equity investment distributions	131	82
Expenses		
Interest and other borrowing costs	4,716	5,211
Employee benefits	10,907	12,735
Cost of sales (Surf Hardware International)	25,597	25,290
Cost of sales (Development properties)	1,541	-

6. INCOME TAX EXPENSE

For the year ended	31 July 2020 $'000	31 July 2019 $'000
Current tax	5,038	286
Deferred tax	(3,722)	(7,573)
(Over) / under provided in prior years	(1,019)	903
	297	(6,384)
Income / (loss) tax attributable to:		
Profit / (loss) from continuing operations	297	(6,384)
Aggregate income tax expense / (benefit) on profit / (loss)	297	(6,384)
Reconciliation of income tax expense / (benefit) to prima facie tax on profit/ (loss)		
Profit / (loss) from continuing operations before income tax (benefit) / expense	5,044	(25,787)
Tax at the Australian tax rate of 30% (2019: 30%)	1,513	(7,736)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable income/ Non-deductible expenses	347	502
Franked dividends	(194)	(127)
(Over) / under provision in prior year	(1,019)	903
Deferred tax assets recorded not recognised and effect of tax rates in foreign jurisdictions	(350)	74
Income tax expense / (benefit)	297	(6,384)
Amounts recognised directly in equity		
Aggregated current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or (credited) to equity	(2,494)	(256)

7. CASH AND CASH EQUIVALENTS

As at	31 July 2020 $'000	31 July 2019 $'000
Cash at bank and on hand	18,599	11,314

8. CURRENT LOANS RECEIVABLE

Loans receivable	-	89

9. CURRENT TRADE AND OTHER RECEIVABLES

Trade debtors	7,555	8,924
Less: expected credit losses	(143)	(39)
Balance at end of year	7,412	8,885

10. OTHER CURRENT ASSETS

Prepayments	1,166	1,750

11. CURRENT INVENTORIES

At cost or net realisable value		
Raw materials and finished goods	5,095	6,538
Balance at end of year	5,095	6,538

12. NON-CURRENT OTHER RECEIVABLES

Loans to employees	-	1
Other receivables	62	479
Balance at end of year	62	480

13. NON-CURRENT LOAN RECEIVABLES

Loan receivables	2,700	2,400

Interest on loans are charged at commercial interest rates.

14. NON-CURRENT EQUITIES

At fair value through other comprehensive income		
Balance at beginning of year	40,021	36,783
Revaluation to fair value	(8,313)	(852)
Additions	4,814	8,137
Disposal proceeds	(4,257)	(4,047)
Balance at end of year	32,265	40,021

Changes in fair value of equities are recorded in equity.

15. NON-CURRENT PRIVATE EQUITIES

As at	31 July 2020 $'000	31 July 2019 $'000
At fair value through profit or loss		
Balance at beginning of year	4,907	3,449
Revaluation to fair value	386	1,228
Additions	272	561
Disposal proceeds	(1,418)	(331)
Net gain on disposal	604	-
Balance at end of year	4,751	4,907

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

For the year ended	31 July 2020 $'000	31 July 2019 $'000
At cost or net realisable value		
Balance at beginning of year	16,164	14,145
Additions	1,494	2,083
Disposal proceeds	(2,277)	-
Net gain on disposal	736	-
Transfers out	-	(64)
Balance at end of year	16,117	16,164

17. NON-CURRENT INVESTMENT PROPERTIES

For the year ended	31 July 2020 $'000	31 July 2019 $'000
At fair value		
Balance at beginning of year	232,016	256,678
Additions	2,447	6,491
Disposal proceeds	(32,452)	(1,831)
Net gain on disposal	2,115	410
Transfers in	-	64
Amortisation on incentives	(725)	(1,342)
Net loss from fair value adjustment	(959)	(28,454)
Balance at end of year	202,442	232,016

Amounts recognised in profit of loss for investment properties		
Rental revenue	15,819	20,835
Direct operating expenses from rental generating properties	(7,490)	(8,859)
Net gain on disposal	2,115	410
Net loss on revaluation	(959)	(28,454)
	9,485	(16,068)

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

17. NON-CURRENT INVESTMENT PROPERTIES (CONTINUED)

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

(a) Fair value is based on capitalisation rates, which reflect vacancy rates, tenant profile, lease expiry, developing potential and the underlying physical condition of the property. The higher the capitalisation rate, the lower the fair value.

Capitalisation rates used and the fair value adopted for each property at 31 July 2020 were based on internal valuations prepared with the assistance of external property valuers or internal valuations prepared with reference to the property's latest independent valuation prepared by external property valuers adjusted for any changes in assumptions, estimates or source data with reference to the properties current and forecasted performance, vacancy levels, tenancy profile and recent market data.

At 31 July 2020, there is increased valuation uncertainty due to limited market transaction activity as a result of the COVID-19 pandemic. The Group has estimated the fair value of the properties using available market data and assumptions that take into account current market conditions. Given the increased valuation uncertainty in fair value estimation at 31 July 2020, the fair value of the properties may change significantly or in a short period of time given the higher degree of uncertainty associated with fair value estimation in the current climate.

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

Sensitivity analysis of sub-regional and neighbourhood shopping centre investment properties held at fair value

At 31 July 2020, a reduction of 0.5% in the capitalisation rate applied to each property would result in an additional gain of $15.9 million in the consolidated statement of profit or loss and consolidated statement of other comprehensive income. Similarly, an increase of 0.5% in the capitalisation rate of each property would result in an additional loss of $13.8 million in the consolidated statement of profit or loss and consolidated statement of other comprehensive income.

18. NON-CURRENT PROPERTY, PLANT AND EQUIPMENT

	Freehold Properties $'000	Motor vehicles $'000	Furniture, fittings & equipment $'000	Total $'000
Year ended 31 July 2020				
Opening net book amount	7,105	96	1,577	8,778
Additions	-	-	213	213
Disposals	-	(10)	-	(10)
Depreciation charge	(44)	(28)	(405)	(477)
Closing net book amount	7,061	58	1,385	8,504
At 31 July 2020				
Cost or fair value	7,566	394	7,991	15,951
Accumulated depreciation	(505)	(336)	(6,606)	(7,447)
Net book amount	7,061	58	1,385	8,504
Year ended 31 July 2019				
Opening net book amount	7,148	186	1,415	8,749
Additions	1	2	651	654
Disposals	-	(43)	(5)	(48)
Depreciation charge	(44)	(49)	(484)	(577)
Closing net book amount	7,105	96	1,577	8,778
At 31 July 2019				
Cost or fair value	7,566	414	7,877	15,857
Accumulated depreciation	(461)	(318)	(6,300)	(7,079)
Net book amount	7,105	96	1,577	8,778

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

19. NON-CURRENT INTANGIBLES

As at	31 July 2020 $'000	31 July 2020 $'000
Goodwill	2,383	2,383
Brand names	1,050	1,050
Software	427	256
Patents	625	847
Balance at end of year	4,485	4,536

Intangible assets, other than goodwill and brand names have finite useful lives. Goodwill and brand names have an indefinite useful life. Goodwill and brand names are allocated to the Surf Hardware International business segment ("the cash-generating unit").

The Group tests whether goodwill and brand names have suffered any impairment at each reporting period. The recoverable amount of the cash-generating unit is determined based on either value-in-use calculations or the estimated fair value less costs to sell.

19. NON-CURRENT INTANGIBLES (CONTINUED)

Goodwill

The recoverable amount of goodwill is determined based on value-in-use of the Surf Hardware International business segment which is calculated based on the present value of cash flow projections over a five year period with the period extending beyond four years extrapolated using an estimated growth rate.

Five year projected cash flows in respect of the Surf Hardware International business segment are $8.5m. Key assumptions include: (a) 12.5% discount rate; (b) 4.8% per annum projected net revenue growth rate; (c) 3% per annum increase in operating expenses; and (d) 3% terminal growth rate. Based on these assumptions the Directors have determined that no impairment charge shall be recognised during the current reporting period.

Brand Names

The recoverable amount of brand names is determined based on their estimated fair value less costs to sell determined by applying the relief from royalty methodology. Key assumptions include: (a) a royalty rate of 1% - 4%; (b) 12.5% discount rate; (c) 3% per annum projected net revenue growth rate; (d) 3% per annum increase in brand maintenance expenses; and (e) 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. NON-CURRENT RIGHT OF USE ASSETS

	Land and buildings	Motor vehicles	Equipment	Total
	$'000	$'000	$'000	$'000
Year ended 31 July 2020				
Right of use assets recognised on adoption of				
AASB 16 (Note 1(a))	3,438	-	-	3,438
Additions	118	80	34	232
Lease modifications	279	-	-	279
Foreign exchange movements	(80)	-	-	(80)
Depreciation charge	(1,029)	(31)	(7)	(1,067)
Closing net book amount	2,726	49	27	2,802
At 31 July 2020				
Cost	3,737	80	34	3,851
Accumulated depreciation	(1,011)	(31)	(7)	(1,049)
Net book amount	2,726	49	27	2,802

AASB 16 was adopted using the modified retrospective approach and comparatives for right of use assets have not been provided. Refer to Note 1(a).

Additional information regarding leases

The Group leases land and buildings for its offices and retail operations which have lease terms of between one and five years with, in some cases, options to extend. On renewal, the terms of the leases are renegotiated. The Group also leases motor vehicles and equipment under agreements of between one to five years.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right of use asset can only be used by the Group.

The Group's leases include extension and termination options which are exercisable by the Group. These clauses provide the Group opportunities to manage leases in order to align with its strategies. The extension and termination options which were reasonably certain to be exercised are included in the calculation of the right-to-use asset. As at 31 July 2020, potential future cash outflows of $3.1 million (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

Interest expense recognised in profit or loss was $0.4 million and principal payments made to lessors in respect to lease liabilities was $0.8 million for the year.

21. DEFERRED TAX ASSETS

As at	31 July 2020 $'000	31 July 2019 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	448	383
Accruals	485	545
Equities	6	-
Derivatives	1,295	1,208
Tax Losses	371	1,034
Other	1,005	236
Net deferred tax assets	3,610	3,406
Movements:		
Opening balance at 1 August	3,406	5,070
(Debited) / credited to profit or loss	204	(1,664)
Closing balance at 31 July	3,610	3,406
Deferred tax assets to be recovered within 12 months	1,246	741
Deferred tax assets to be recovered after 12 months	2,364	2,665
	3,610	3,406

22. OTHER NON-CURRENT ASSETS

Other assets	1,769	1,800

23. CURRENT TRADE AND OTHER PAYABLES

Trade creditors	1,874	4,334
Other creditors and accruals	3,168	3,036
Balance at end of year	5,042	7,370

24. CURRENT BORROWINGS

As at	31 July 2020 $'000	31 July 2019 $'000
Bills payable – secured	1,350	1,425
Market rate loan facility – secured	336	336
Commercial advance facility - secured	127	692
Other	11	-
Balance at end of year	1,824	2,453

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 28.

25. CURRENT LEASE LIABILTIES

As at	31 July 2020 $'000	31 July 2019 $'000
Lease liabilities	1,030	-

AASB 16 was adopted using the modified retrospective approach and comparatives for lease liabilities have not been provided. Refer to Note 1(a).

26. CURRENT TAX LIABILITIES

Income tax payable	5,032	-

27. CURRENT PROVISIONS

Employee entitlements	1,402	1,330

28. NON-CURRENT BORROWINGS

As at	31 July 2020 $'000	31 July 2019 $'000
Bills payable - secured	84,310	106,745
Market rate loan facility - secured	76	328
Balance at the end of the year	84,386	107,073

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 – secured[1]	85,660	108,170
Market rate loan facility – secured[2]	412	664
Commercial advance facility - secured[3]	127	692
Other	11	-
	86,210	109,526

[1]$1.350m bill is secured against 328-332 Bong St, Bowral. Interest is charged at BBSY plus 1.530% p.a.
[1]$84.310 million bill is secured against Port Central Shopping Centre, Coffs Central Shopping Centre, and Kempsey Central Shopping Centre (the "SC properties"). The facility consists of two tranches, the first tranche is a non-revolving facility, has a facility limit of $76 million (fully drawn at 31 July 2020). The second tranche is a revolving facility, has a facility limit of $30 million. Interest on the outstanding principal of both tranches is charged at BBSY plus 0.70% p.a. and a line fee is charged at a fixed rate of 1.62% p.a. At 31 July 2020 the current interest rate that applies to amounts advanced is 0.8549% p.a. The lender requires the Group and SC properties to meet certain financial ratios: at 31 July 2020 the combined facility limit of the first and second tranches must not to exceed 55% of the aggregate market value of the SC properties (based on the last borrower approval valuation of the SC properties) and the Group's gearing ratio must not exceed 50%.
[2] $0.412 million market rate loan facility is held by Gowings SHI Pty Limited and secured by the assets of Gowings SHI Pty Limited, Fin Control Systems Pty Ltd, Oz4u Holdings Pty Ltd, SHI Holdings Pty Ltd, Sunbum Technologies Pty Ltd, Surf Hardware International Pty Ltd, Surfing Hardware International Holdings Pty Ltd and Surf Hardware International Asia Pty Ltd. Interest is charged at BBSY. At 31 July 2020 the current interest rate that applies to amounts advanced is 0.2785%.
[3] $0.127 million commercial advance facility is held by Gowings SHI Pty Limited and secured by the assets of Gowings SHI Pty Limited, Fin Control Systems Pty Ltd, Oz4u Holdings Pty Ltd, SHI Holdings Pty Ltd, Sunbum Technologies Pty Ltd, Surf Hardware International Pty Ltd, Surfing Hardware International Holdings Pty Ltd and Surf Hardware International Asia Pty Ltd. The facility has a total facility limit of $2 million. At 31 July 2020 the current interest rate that applies to amounts advanced is 7.02%.

28. NON-CURRENT BORROWINGS (CONTINUED)

As at	31 July 2020 $'000	31 July 2019 $'000

Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

Total facilities		
Secured bill facilities	107,400	117,650
Secured commercial advance facility	2,000	2,000
Secured market rate loan facility	412	664
Other	11	-
	109,823	120,314
Used at balance date		
Secured bill facilities	85,660	108,170
Secured commercial advance facility	127	692
Secured market rate loan facility	412	664
Other	11	-
	86,210	109,526
Unused at balance date		
Secured bill facilities	21,740	9,480
Secured commercial advance facility[1]	1,873	1,308
Secured market rate loan facility	-	-
Other	-	-
	23,613	10,788

[1]Of the $1.87 million (2019: $1.31 million) remaining commercial advance facility (2019: commercial advance facility), $nil million (2019: $0.15 million) has been used for bank guarantees.

Off-balance sheet

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

29. NON-CURRENT LEASE LIABILITIES

As at	31 July 2020 $'000	31 July 2019 $'000
Lease liabilities	1,970	-

AASB 16 was adopted using the modified retrospective approach and comparatives for lease liabilities have not been provided. Refer to Note 1(a).

30. NON-CURRENT PROVISIONS

Employee entitlements	482	547

31. DEFERRED TAX LIABILITIES

As at	31 July 2020 $'000	31 July 2019 $'000
The balance comprises temporary differences attributable to:		
Prepayments	100	278
Intangibles	315	315
Investment properties	18,326	23,657
Equities	1,691	4,068
Other	1,618	704
Net deferred tax liabilities	22,050	29,022
Movements:		
Opening balance at 1 August	29,022	37,612
Charged / (credited) to profit or loss	(4,478)	(8,334)
Charged / (credited) to equity	(2,494)	(256)
Closing balance at 31 July	22,050	29,022
Deferred tax liabilities to be settled within 12 months	128	278
Deferred tax liabilities to be settled after 12 months	21,922	28,744
	22,050	29,022

32. CONTRIBUTED EQUITY

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

Movements in ordinary share capital

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

Ordinary shares

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

Dividend Reinvestment Plan

The Dividend Reinvestment Plan may be offered to shareholders by Directors and allows shareholders to reinvest dividends into shares in the Company. The Dividend Reinvestment Plan is suspended for the final dividend declared on 30 September 2020.

Deferred Employee Share Plan

The Deferred Employee Share Plan may be used as part of any incentive payments for all employees. For transaction cost reasons, where possible shares bought back as part of the Company's ongoing capital reduction program are recognised for this purpose rather than cancelled.

Options

There were no options on issue at the time of this report.

On-market share buy back

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

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.

33. RESERVES

	31 July 2020 $'000	31 July 2019 $'000
Capital profits reserve[1]		
Opening balance	90,503	90,503
Transfer from retained profits	-	-
Closing balance	90,503	90,503
Long term investment revaluation reserve[2]		
Opening balance	8,308	9,722
Fair value adjustments on equities		
- Equities	(8,313)	(852)
- Deferred tax applicable to fair value adjustments	2,494	256
- Transfer of losses / (gains) on sale of equity instruments at fair value through comprehensive income to retained earnings, net of tax	371	(818)
Closing balance	2,860	8,308
Asset revaluation reserve[3]		
Opening balance	1,591	1,591
Fair value adjustments on property, plant and equipment		
- Property, plant and equipment	-	-
- Deferred tax applicable to fair value adjustments	-	-
Closing balance	1,591	1,591
Foreign currency translation reserve[4]		
Opening balance	394	140
Exchange differences on translation of foreign operations	(197)	254
Closing balance	197	394
Total reserves	95,151	100,796

[1] The capital profits reserve is used to record pre-CGT profits.
[2] The long term investment revaluation reserve is used to record increments and decrements on equities held at fair value through other comprehensive income.
[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.

34. DIVIDENDS

	31 July 2020 $'000	31 July 2019 $'000
Ordinary shares		
2019 final dividend of 5.0 cents (2018: 6.0 cents interim) per share	2,697	3,218
2020 interim dividend of 5.0 cents (2019: 5.0 cents interim) per share	2,690	2,690
Total dividends declared	5,387	5,908
Dividends paid in cash	5,387	5,096
Dividends paid via Dividend Reinvestment Plan	-	812
	5,387	5,908

Franked dividends declared and paid during the year were fully franked at the tax rate of 30% (2019: 30%).

Dividends declared after year end

Subsequent to year end the Directors have declared the payment of a final dividend of 3.0 cents per ordinary share fully franked based on tax paid at 30%. The dividend paid on 29 October 2020 out of retained profits at 31 July 2020 was $1,609,387.

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 2020 and will be recognised in subsequent financial reports.

Franked dividends

The franked portions of the final dividends declared after 31 July 2020 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 31 July 2020.

Franking credits available for subsequent financial years (tax paid basis)	7,315	4,540

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 payable;
(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.

35. REMUNERATION OF AUDITORS

	31 July 2020 $	31 July 2019 $
Audit and review – parent entity	116,700	113,300
Audit and review – subsidiary companies	77,400	73,700
Tax services	35,330	29,520
	229,430	216,520

36. COMMITMENTS FOR EXPENDITURE

Capital commitments – Private equities

The Group has uncalled capital commitments of up to $947,654 (2019: $1,070,346) in relation to private equity and property fund investments held at year end.

Capital commitments – Investment properties

The Group has capital commitments of $Nil (2019: $2,123,474) in relation to construction works on investment properties at year end.

Capital commitments – Development properties

The Group has capital commitments of $348,286 (2019: $nil) in relation to construction works on development properties at year end.

37. RELATED PARTIES

Directors

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

Those persons that were also Directors during the year ended 31 July 2019.

Remuneration

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

	31 July 2020 $	31 July 2019 $
Directors and other key management personnel		
Short-term employee benefits	744,593	953,747
Post-employment benefits	60,109	74,384
Long-term benefits	8,713	7,432
	813,415	1,035,563

Detailed remuneration disclosures can be found in the remuneration report on pages 21 to 24.

Movement in shares

Key management person	Shares held* at 31-Jul-18 No.	Shares acquired/ (disposed) during the year No.	Shares held* at 31-Jul-19 No.	Shares acquired/ (disposed) during the year No.	Shares held* at 31-Jul-20 No.
J. E. Gowing	20,888,150	154,448	21,042,598	-	21,042,598
J. G. Parker	55,000	2,306	57,306	-	57,306
Prof. J. West	477,581	-	477,581	-	477,581
S. J. Clancy	5,000	-	5,000	-	5,000
R. Ambrogio	-	-	-	10,000	10,000

*Directly and indirectly

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

Receivables from Directors and Executives

At year end there were no receivables from the Directors and executives (2019: $nil).

Transactions with Key Management Personnel and Directors

Key management person	Transaction type	2020 $	2019 $
J. E. Gowing	Marketing services	62,436	96,443
J. E. Gowing	Associate director services	10,950	10,950

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 $3,800 for the year (2019: $41,994). The sons of Mr J E Gowing provided marketing services during the year on an employment basis totalling $58,636 (2019: $54,449), and associate director services totalling $10,950 (2019: $10,950).

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

38. INTERESTS IN OTHER ENTITIES (EXCLUDING JOINT VENTURES)

The Group's principal subsidiaries and other interests are set out below:

Unless otherwise stated, subsidiaries and other interests listed below have share capital comprising of ordinary shares or ordinary units which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group.

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

No other interests in subsidiaries or other entities (excluding joint ventures) were held by the Group in the 31 July 2020 financial year.

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

Significant Restrictions

Other than certain assets pledged as security detailed in note 28, there are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

39. 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(q), under the following classifications:

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

$1.350 million of borrowings is secured against investment properties of Regional Retail Properties (note 28).

40. 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 (2019: Nil).

41. EARNINGS / (LOSS) PER SHARE

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

42. 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 2020 $'000	31 July 2019 $'000
Assets		
Current assets	15,647	13,479
Non-current assets	287,258	326,383
Total assets	302,905	339,862
Liabilities		
Current liabilities	10,267	7,007
Non-current liabilities	108,284	138,818
Total liabilities	118,551	145,825
Net assets	184,354	194,037
Equity		
Issued capital	12,895	13,288
Capital profits reserve	90,503	90,503
Long term investment revaluation reserve	2,860	8,308
Asset revaluation reserve	1,591	1,591
Retained profits	76,505	80,347
Total equity	184,354	194,037
Statement of Profit or Loss and other Comprehensive Income		
Net profit / (loss) after income tax	1,916	(18,873)
Total comprehensive income / (loss)	(5,819)	(19,470)

Parent entity contractual commitments

The Company has no contractual commitments other than uncalled capital commitments for private equities and development properties as noted in note 36 (2019: Uncalled capital commitments for private equities and construction works on investment properties as noted in note 36).

Parent entity contingent liabilities

The Company has no contingent liabilities at year end (2019: nil).

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 (2019: nil).

43. RECONCILIATION OF NET PROFIT / (LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31 July 2020 $'000	31 July 2019 $'000
Profit /(loss) from ordinary activities after income tax	4,747	(19,403)
Amortisation of lease incentives	725	1,342
Depreciation and amortisation	1,805	815
Net gain on sale of private equities	(604)	-
Net gain on sale of property, plant and equipment	-	(22)
Net gain on the sale of investment properties	(2,115)	(410)
Net gain on the sale of development properties	(736)	-
Revaluation of investment properties to fair value	959	28,454
Revaluation of equities and private equities to fair value	(386)	(1,228)
Revaluation of derivatives to fair value	290	3,319
Decrease / (increase) in receivables	1,891	(1,009)
Decrease / (increase) in prepayments	615	(254)
Decrease / (increase) in inventories	1,443	(304)
Increase / (decrease) in income taxes	434	(7,112)
Increase / (decrease) in employee entitlements	7	186
Increase / (decrease) in trade creditors and accruals	(1,224)	1,795
Net cash inflow from operating activities	7,851	6,169

44. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Liabilities from financing activates	Opening balance – 31 July 2019	Cash flows from financing activities	(Gains)/ loss on disposal or revaluation (non-cash)	Closing balance – 31July 2020
Derivatives[1]	4,027	-	290	4,317
Borrowings[2]	109,526	(23,316)	-	86,210

[1] Relates to current and non-current derivatives.
[2] Relates to current and non-current borrowings.
[3] Relates to the following cash flows from financing activities for the year ended 31 July 2020:

– Proceeds from borrowings	6,000
– Repayment of borrowings	(29,316)
	(23,316)

45. SUBSEQUENT EVENTS

The COVID-19 pandemic has had a significant impact on domestic and global markets and economies and there remains significant uncertainty. The Directors are continuing to manage and monitor the Group's operations and investments closely in response to the COVID-19 pandemic. COVID-19 pandemic impacts may affect the Group's financial performance and position in future periods however a definitive assessment of the extent of such impacts cannot be practically made given the degree of uncertainty in the current climate.

No other matter or circumstance has arisen since the end of the financial year, other than the dividend declared (refer note 34) 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.

46. OTHER INFORMATION

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

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

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

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

Directors' Declaration

1. In the directors' opinion:

   (a) the consolidated financial statements and notes set out on pages 26 to 62 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 2020 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 2020 required by section 295A of the Corporations Act 2001.

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

Professor J. West	**J. E. Gowing**
Director	Director
Sydney, NSW	Sydney, NSW
30 October 2020	30 October 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2020, 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
30 October 2020

A G Smith
Partner

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HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2020, 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 2020 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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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Key Audit Matter	How our audit addressed the key audit matter
Valuation of sub-regional and neighbourhood shopping centre investment properties Note 17	
The aggregate fair value of the Group's sub-regional and neighbourhood shopping centre investment properties as at 31 July 2020 is $198.131 million, representing 63.54% of the Group's total assets as at that date. The valuation of the Group's investment properties requires significant 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. We have identified the valuation of the Group's investment properties as a key audit matter because of the significance to the Group's consolidated financial statements and level of significant judgements and assumptions applied to determine fair value.	Our audit procedures to assess the valuation of investment properties included: • assessing the competence, capability, experience, independence and objectivity of external valuers appointed by management. • evaluating the valuation methodology applied. • testing the reliability and reasonableness of inputs to underlying contracts and supporting documentation. • testing the appropriateness of assumptions and estimates with reference to historical rates and results, available market data, market conditions and other supporting documentation. • checking the mathematical accuracy of valuation calculations. • reviewing the Group's disclosures with reference to Australian Accounting Standards.
Valuation of Unlisted Equities Notes 2, 14 & 15	
At 31 July 2020 the Group owned investments of $25.60 million in a number of unlisted equities which have been included in the Group's consolidated statement of financial position. Management assess the value of these investments at least annually, using various valuation techniques, such as a recent arm's length transaction, reference to other instruments that are of a similar nature and other market evidence. This is considered a key audit matter due to the significant judgment involved in assessing the valuation of these assets, as they are often traded in low volume markets.	Our audit procedures to assess the valuation of unlisted equities included: • assessing the valuation methodology applied by management. • reviewing valuation inputs including evidence of recent arm's length transactions and agreeing these transactions to external sources. • reviewing market data and other financial information. • reviewing the Group's disclosures with reference to Australian Accounting Standards.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 July 2020, 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.

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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.

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.

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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 21 to 24 of the directors' report for the year ended 31 July 2020.

In our opinion, the Remuneration Report of Gowing Bros. Limited for the year ended 31 July 2020 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

A Smith

HLB Mann Judd	**A G Smith**
Chartered Accountants	**Partner**

Sydney, NSW
30 October 2020