



Enriching People's
Lives, since 1868

APPENDIX 4E | For the year ended 31 July 2021



GOWING BROS

Investing together for a secure future

Gowing Bros. Limited
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RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 31 July 2021 with the previous corresponding period being the year ended 31 July 2020. This report is based on financial statements which are in the process of being audited.

| | | 31 Jul 2021 | 31 Jul 2020 |
|--|---------|--------------------|--------------------|
| REVENUE | | | |
| Total Revenue ⁽¹⁾ | Up 15% | \$71.2 million | \$61.8 million |
| Other income ⁽²⁾ | Up 103% | \$6.1 million | \$3.0 million |
| EARNINGS | | | |
| Profit after tax ⁽³⁾ | Up 121% | \$10.4 million | \$4.7 million |
| Earnings per share | Up 119% | 19.35 c | 8.82 c |
| NET ASSETS PER SHARE | | | |
| Before provision for tax on unrealised gains ⁽⁴⁾ | Up 7% | \$3.89 | \$3.64 |
| DIVIDENDS – This Period | | | |
| 2021 Final fully franked dividend per share ⁽⁵⁾ | | 3 cents | |
| 2021 Final fully franked special dividend per share ⁽⁵⁾ | | 1 cent | |
| 2021 Interim fully franked dividend per share | | 3 cents | |
| 2021 Interim fully franked special dividend per share | | 1 cent | |
| DIVIDENDS – Prior Period | | | |
| 2020 Final fully franked dividend per share ⁽⁶⁾ | | 3 cents | |
| 2020 Interim fully franked special dividend per share | | 5 cents | |

COMMENTS

- (1) Total Revenue was up 15% on the prior year, this is due to a recovery and associated income from the Pacific Coast Shopping Centres as well as a record revenue result from Surf Hardware International.
- (2) Other income of \$6.1 million was largely attributable to underlying increases in the valuations of Our Innovation Fund and Five V Capital, profit on the sale of Pymont and closing out the fixed interest hedge.
- (3) Profit After Tax increased to \$10.4 million. For more detail refer the profit and loss on page 5 of the report.
- (4) Net assets per share before tax on unrealised gains on equities, investment properties, private equities and freehold properties increased to \$3.89 from \$3.64 during the year ended 31 July 2021. This included the payment of 7.0c in dividends.
- (5) The board has elected to declare a final 3 cents per share fully franked LIC dividend and a special 1 cent per share fully franked LIC dividend. The record date for the final dividend is 14 October 2021, with a payment date of 29 October 2021. The dividend reinvestment plan has been suspended for this dividend.
- (6) The 2020 final dividend was a 3 cents per share fully franked LIC dividend.

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

MANAGING DIRECTORS REVIEW OF OPERATIONS

Continued Uncertainty.

As foreshadowed in the first half report the results for the year ended July 31 2021 have been very positive for Gowings, as the initial post pandemic emergency passed and business returned to normal.

Most of our retail partners in our Mid North Coast Shopping Centres have had a good year and we have entered into new retailer agreements to continue leasing up the new space in Coffs Harbour.

Stage 2 at Sawtell Commons was completed, with all contracts settling. Construction on Stage 3 (the next 60 lots) is well under way and due for completion early next year. We plan to take these Stage 3 lots to market in the next few months as prices for Coffs Harbour residential lots remain very strong.

At Surf Hardware International (SHI), the tide was definitely in. The business experienced a record year. We have significantly increased the innovation and product development investment at SHI and are working with innovation partners including the University of NSW and Auckland University. Onshoring manufacturing out of Asia has become a major priority. This is very exciting space and a great long-term opportunity for Gowings.

A lot of the real action this year has been post year end when some of our sleeping giants crystalized value through initial public offerings. Both Cobram Estate Ltd (previously Boundary Bend Ltd) and Dice Molecules Inc are long term investments of Gowings and listed on the ASX and NASDAQ respectively, crystalizing approximately AUD\$12.7 million in underlying value for Gowings.

Our head office move from Pyrmont in Sydney to the Gowings Building in Coffs Harbour has now bedded down soundly. The consolidation of most of our team under one roof has been very beneficial for business efficiencies and provides more on-site management of our major shopping centre assets. A number of sustainability initiatives at the shopping centres have been implemented or are well into planning stages. The most recent achievement has been the installation of a green waste composter at Coffs Central. A second unit is due to be installed at Port Central in the near future.

Outlook.

Uncertainty continues to prevail, in my interim report I observed that it would be good for the future if there were no further breaches of quarantine, unfortunately there were and we are now in the on- again- off- again lockdown roulette. Due to the continuing risk of lockdown and the NSW Government's legislated commercial property owner's proportional waiver of rent statutory requirements (and of course our own good business common sense approach to retailer support) we have made a \$2 million provision in our accounts for ongoing pandemic relief.

We continue to manage the company cautiously as is prudent in these uncertain times. We are in as good a place as any and continue to be the beneficiaries of broader demographic and economic trends.

Thank you to all our team members and the wider Gowings community for their continuing support.



J. E. Gowing
Director

DIRECTORS' REPORT

DIRECTORS

The names of each person serving as a director or executive, either during or since the end of the year, are set out below:

| Name | Position |
|----------------------|---|
| Professor J. West | Non-Executive Chairman |
| J. E. Gowing | Managing Director |
| J. G. Parker | Non-Executive Director |
| S. J. Clancy | Non-Executive Director |
| I. Morgan | Company Secretary |
| J. E. Gowing (James) | Associate Director and Company Secretary |
| R. Ambrogio | Chief Financial Officer and Company Secretary (Resigned 30 November 2020) |

REVIEW OF OPERATIONS

Refer to results for announcement to the market.

ROUNDING OFF

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

Dated this 29th day of September 2021 in accordance with a resolution of the directors.



J. E. Gowing
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| For the year ended | Notes | 31 July 2021 \$'000 | 31 July 2020 \$'000 |
|--|-------|------------------------|------------------------|
| Revenue | | | |
| Interest income | | 186 | 211 |
| Equities | | 437 | 679 |
| Private equities | | 449 | 131 |
| Investment properties | 5 | 17,686 | 15,819 |
| Development properties | | 1,816 | 2,277 |
| Revenue from the sale of goods (Surf Hardware International) | | 50,578 | 42,660 |
| Total revenue | | 71,152 | 61,777 |
| Other income | | | |
| Gains / (losses) on disposal or revaluation of: | | | |
| Private equities | | 2,515 | 990 |
| Investment properties | 5 | 156 | 1,156 |
| Freehold properties | | 946 | - |
| Derivatives | | 587 | (290) |
| Other income | | 1,869 | 1,193 |
| Total other income | | 6,073 | 3,049 |
| Total revenue and other income | | 77,225 | 64,826 |
| Expenses | | | |
| Investment properties | 5 | 7,364 | 7,490 |
| Development properties | | 1,168 | 1,541 |
| Finished goods, raw materials and other operating expenses (Surf Hardware International) | | 44,439 | 40,637 |
| Administration | 6 | 4,142 | 1,644 |
| Borrowing costs | | 3,410 | 4,716 |
| Depreciation | | 2,134 | 1,805 |
| Employee benefits | | 487 | 1,499 |
| Public company | | 458 | 450 |
| Total expenses | | 63,602 | 59,782 |
| Profit from continuing operations before income tax | | 13,623 | 5,044 |
| Income tax expense | 4 | (3,241) | (297) |
| Profit from continuing operations | | 10,382 | 4,747 |
| <i>Profit from continuing operations is attributable to:</i> | | | |
| Members of Gowing Bros. Limited | | 10,381 | 4,747 |
| Non-controlling interests | | 1 | - |
| Profit from continuing operations | | 10,382 | 4,747 |

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 2021 \$'000 | 31 July 2020 \$'000 |
|---|-------|------------------------|------------------------|
| Profit from continuing operations | | 10,382 | 4,747 |
| Other comprehensive income/ (loss) | | | |
| Items that will be reclassified to profit or loss: | | | |
| Exchange rate differences on translating foreign operations, net of tax | | (53) | (197) |
| Items that will not be reclassified to profit or loss: | | | |
| Changes in fair value of equity instruments held at fair value through other comprehensive income, net of tax | | 4,703 | (5,819) |
| Total comprehensive income/ (loss) | | 15,032 | (1,269) |
| <i>Total comprehensive income / (loss) attributable to:</i> | | | |
| Members of Gowing Bros. Limited | | 15,031 | (1,269) |
| Non-controlling interests | | 1 | - |
| Total comprehensive income/ (loss) | | 15,032 | (1,269) |
| Earnings per share | | | |
| Basic earnings per share | 11 | 19.35c | 8.82c |
| Diluted earnings per share | 11 | 19.35c | 8.82c |

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 2021 \$'000 | 31 July 2020 \$'000 |
|---|-------|------------------------|------------------------|
| Current assets | | | |
| Cash and cash equivalents | | 30,813 | 18,599 |
| Inventories | | 8,265 | 5,095 |
| Trade and other receivables | | 6,562 | 7,412 |
| Other | | 1,075 | 1,166 |
| Total current assets | | 46,715 | 32,272 |
| Non-current assets | | | |
| Trade and other receivables | | 63 | 62 |
| Loans receivable | | 850 | 2,700 |
| Equities | | 43,087 | 32,265 |
| Private equities | | 8,003 | 4,751 |
| Development properties | | 18,950 | 16,117 |
| Investment properties | 5 | 203,595 | 202,442 |
| Property, plant and equipment | | 1,551 | 8,504 |
| Right of use asset | | 1,747 | 2,802 |
| Intangibles | | 3,916 | 4,485 |
| Deferred tax assets | | 2,386 | 3,610 |
| Other | | 1,616 | 1,769 |
| Total non-current assets | | 285,764 | 279,507 |
| Total assets | | 332,479 | 311,779 |
| Current liabilities | | | |
| Trade and other payables | | 6,368 | 5,042 |
| Borrowings | | 1,115 | 1,824 |
| Leases | | 997 | 1,030 |
| Derivatives | | - | 1,439 |
| Current tax liabilities | | 4,740 | 5,032 |
| Provisions | | 3,222 | 1,402 |
| Total current liabilities | | 16,442 | 15,769 |
| Non-current liabilities | | | |
| Trade and other payables | | 108 | 169 |
| Borrowings | | 94,309 | 84,386 |
| Leases | | 974 | 1,970 |
| Derivatives | | - | 2,878 |
| Provisions | | 333 | 482 |
| Deferred tax liabilities | | 25,163 | 22,050 |
| Total non-current liabilities | | 120,887 | 111,935 |
| Total liabilities | | 137,329 | 127,704 |
| Net assets | | 195,150 | 184,075 |
| Equity | | | |
| Contributed equity | 8 | 12,693 | 12,895 |
| Reserves | 10 | 99,151 | 95,151 |
| Retained profits | 7 | 83,307 | 76,031 |
| Contributed equity and reserves attributable to members of Gowings Bros. Limited | | 195,151 | 184,077 |
| Non-controlling interests | | (1) | (2) |
| Total equity | | 195,150 | 184,075 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Contributed Equity \$'000 | Capital Profits Reserve- Pre CGT \$'000 | Revaluation Reserves \$'000 | Foreign Currency Translation Reserve \$'000 | Retained Profits \$'000 | Non- Controlling Interests \$'000 | Total \$'000 |
|--|---------------------------------|---|-----------------------------------|---|-------------------------------|--|-----------------|
| Balance at 31 July 2019 | 13,288 | 90,503 | 9,899 | 394 | 77,042 | (2) | 191,124 |
| Total comprehensive income / (loss) for the year | - | - | (5,819) | (197) | 4,747 | - | (1,269) |
| Transfer of loss on disposal of equity instruments at fair value through comprehensive income to retained earnings, net of tax | - | - | 371 | - | (371) | - | - |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | | |
| Dividends paid | - | - | - | - | (5,387) | - | (5,387) |
| Share buy back | (393) | - | - | - | - | - | (393) |
| Balance at 31 July 2020 | 12,895 | 90,503 | 4,451 | 197 | 76,031 | (2) | 184,075 |
| Total comprehensive income / (loss) for the year | - | - | 4,703 | (53) | 10,381 | 1 | 15,032 |
| Transfer of loss on disposal of equity instruments at fair value through comprehensive income to retained earnings, net of tax | - | - | 941 | - | (941) | - | - |
| Transfer of prior year revaluation increment to retained earnings on the sale of freehold properties | - | - | (1,591) | - | 1,591 | - | - |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | | |
| Dividends paid | - | - | - | - | (3,755) | - | (3,755) |
| Share buy back | (202) | - | - | - | - | - | (202) |
| Balance at 31 July 2021 | 12,693 | 90,503 | 8,504 | 144 | 83,307 | (1) | 195,150 |

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 2021 \$'000 | 31 July 2020 \$'000 |
|---|-------|------------------------|------------------------|
| Cash flows from operating activities | | | |
| Receipts in the course of operations (inclusive of GST) | | 76,849 | 67,260 |
| Payments to suppliers and employees (inclusive of GST) | | (63,674) | (56,053) |
| Dividends received | | 886 | 679 |
| Interest received | | 168 | 211 |
| Borrowing costs paid | | (3,410) | (4,716) |
| Income taxes (paid) / received | | (1,385) | 470 |
| Net cash inflows from operating activities | | 9,434 | 7,851 |
| Cash flows from investing activities | | | |
| Payments for purchases of properties, plant and equipment | | (601) | (203) |
| Payments for purchases of intangibles | | (31) | (210) |
| Payments for purchases of development properties | | (3,994) | (1,817) |
| Payments for purchases of investment properties | | (1,507) | (3,540) |
| Payments for purchases of equity investments | | (5,494) | (5,086) |
| Payments for loans made | | (550) | (300) |
| Proceeds from repayment of loans made | | 2,400 | 89 |
| Proceeds from sale of freehold properties | | 8,000 | - |
| Proceeds from sale of equity investments | | 2,160 | 5,675 |
| Proceeds from sale of development properties | | 1,816 | 2,277 |
| Proceeds from sale of investment properties | | - | 32,452 |
| Net cash inflows from investing activities | | 2,199 | 29,337 |
| Cash flows from financing activities | | | |
| Payments for share buy-backs | | (202) | (393) |
| Proceeds from borrowings | | 10,000 | 6,000 |
| Repayment of borrowings | | (786) | (29,316) |
| Repayment of lease liabilities | | (946) | (807) |
| Payment for termination of derivative | | (3,730) | - |
| Dividends paid | | (3,755) | (5,387) |
| Net cash inflows / (outflows) from financing activities | | 581 | (29,903) |
| Net increase in cash held | | 12,214 | 7,285 |
| Cash and cash equivalents at the beginning of the financial year | | 18,599 | 11,314 |
| Cash and cash equivalents at the end of the financial year | | 30,813 | 18,599 |

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gowing Bros. Limited (“the Company”) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (“ASX”). This preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. This preliminary financial report comprises the Company and its controlled entities (referred herein as “the Group”).

The preliminary final report is presented in Australian dollars and is prepared under the historical cost convention, modified by the revaluation of listed equities and direct unlisted investments (financial assets at fair value through other comprehensive income), private equities (financial assets at fair value through profit or loss), derivatives (financial liabilities at fair value through profit or loss), investment properties and certain classes of property, plant and equipment.

Conforming to Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Group’s accounting policies. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or future periods if the revision affects both current and future periods.

This report is based on financial statements which are in the process of being audited.

Rounding of amounts

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

2. SEGMENT INFORMATION

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

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

2. SEGMENT INFORMATION (CONTINUED)

| For the year ended | 31 July 2021 \$'000 | 31 July 2020 \$'000 |
|--|------------------------|------------------------|
| Segment revenue | | |
| Cash and fixed interest – interest received | 186 | 211 |
| Equities – dividends and option income received | 437 | 679 |
| Private equities – distributions received | 449 | 131 |
| Investment properties – rent received | 17,686 | 15,819 |
| Development properties – realised gains on disposal | 1,816 | 2,277 |
| Surf Hardware International business – sale of goods | 50,578 | 42,660 |
| | 71,152 | 61,777 |
| Segment other income | | |
| Private equities – unrealised fair value gains / (losses) | 2,515 | 990 |
| Investment properties – unrealised fair value gains / (losses) | 156 | 1,156 |
| Other gains / (losses) | 3,402 | 903 |
| | 6,073 | 3,049 |
| Total segment revenue and other income | 77,225 | 64,826 |

| For the year ended | 31 July 2021 \$'000 | 31 July 2020 \$'000 |
|--------------------------------------|------------------------|------------------------|
| Segment result | | |
| Cash and fixed interest | 186 | 211 |
| Equities | 437 | 679 |
| Private equities | 2,964 | 1,121 |
| Investment properties | 7,293 | 5,569 |
| Development properties | 648 | 736 |
| Surf Hardware International business | 5,304 | 1,272 |
| Other | (3,209) | (4,544) |
| Total segment result | 13,623 | 5,044 |
| Income tax expense | (3,241) | (297) |
| Net profit after tax | 10,382 | 4,747 |

| As at | 31 July 2021 \$'000 | 31 July 2020 \$'000 |
|--------------------------------------|------------------------|------------------------|
| Segment assets | | |
| Cash and fixed interest | 30,813 | 18,599 |
| Equities | 43,087 | 32,265 |
| Private equities | 8,003 | 4,751 |
| Investment properties | 203,595 | 202,442 |
| Development properties | 18,950 | 16,117 |
| Surf Hardware International business | 18,821 | 18,814 |
| Unallocated assets | 9,210 | 18,791 |
| Total assets | 332,479 | 311,779 |
| Segment liabilities | | |
| Investment properties | 91,276 | 81,525 |
| Surf Hardware International business | 5,700 | 7,959 |
| Unallocated liabilities | 40,353 | 38,220 |
| Total liabilities | 137,329 | 127,704 |

2. SEGMENT INFORMATION (CONTINUED)

| For the year ended | 31 July 2021 \$'000 | 31 July 2020 \$'000 |
|---|------------------------|------------------------|
| Payments for the acquisition of: | | |
| - Investment properties | 1,507 | 3,540 |
| - Development properties | 3,994 | 1,817 |
| - Equities | 5,494 | 5,086 |
| Gains on disposal or revaluation of: | | |
| - Investment properties | 156 | 1,156 |
| - Private equities | 2,515 | 990 |
| Unallocated: | | |
| - Payments for the acquisition of property, plant and equipment | 601 | 203 |
| - Payments for the acquisition of intangibles | 31 | 210 |

Accounting policies

Segment information is prepared in conformity with the accounting policies of the Group.

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

All segments other than Surf Hardware International business segment

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

Surf Hardware International business segment

Segment assets include all assets excluding operating cash of \$1.81 million (2020: \$3.27 million) which is included in the cash segment) used by the Surf Hardware International business segment and consist primarily of trade and other receivables, inventories, plant and equipment, right of use assets and intangibles, net of related provisions. Segment liabilities consist of borrowings, trade and other payables, lease liabilities and employee entitlements. Segment assets and liabilities do not include income taxes. Tax assets and liabilities are represented as unallocated amounts.

Segment cash flows

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

3. OPERATING PROFIT / (LOSS)

| For the year ended | 31 July 2021 \$'000 | 31 July 2020 \$'000 |
|--|------------------------|------------------------|
| Profit from continuing operations before income tax includes the following specific items: | | |
| Gains | | |
| Private equity investment distributions | 449 | 131 |
| Expenses | | |
| Interest and other borrowing costs | 3,410 | 4,716 |
| Employee benefits | 9,800 | 10,907 |
| Cost of sales (Surf Hardware International) | 29,087 | 25,597 |
| Cost of sales (development properties) | 1,168 | 1,541 |

4. INCOME TAX

| For the year ended | 31 July 2021 \$'000 | 31 July 2020 \$'000 |
|---|------------------------|------------------------|
| Current tax | 1,181 | 5,197 |
| Deferred tax | 2,553 | (3,881) |
| (Over) / under provided in prior years | (493) | (1,019) |
| | 3,241 | 297 |
| Income tax attributable to: | | |
| Profit from continuing operations | 3,241 | 297 |
| Aggregate income tax expense on profit | 3,241 | 297 |
| Reconciliation of income tax expense to prima facie tax payable | | |
| Profit from continuing operations before income tax expense | 13,623 | 5,044 |
| Tax at the Australian tax rate of 30% (2020: 30%) | 4,087 | 1,513 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Non-assessable income / Non-deductible expenses | (30) | 347 |
| Franked dividends | (83) | (194) |
| Over provision in prior year | (493) | (1,019) |
| Deferred tax assets not recognised and effect of tax rates in foreign jurisdictions | (240) | (350) |
| Income tax expense | 3,241 | 297 |
| 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 | 2,016 | (2,335) |

5. NON-CURRENT INVESTMENT PROPERTIES

| For the year ended | 31 July 2021 \$'000 | 31 July 2020 \$'000 |
|---|------------------------|------------------------|
| At fair value | | |
| Balance at beginning of year | 202,442 | 232,016 |
| Additions | 1,507 | 2,447 |
| Disposal proceeds | - | (32,452) |
| Net gain on disposal | - | 2,115 |
| Amortisation on incentives | (510) | (725) |
| Net gain / (loss) from fair value adjustment | 156 | (959) |
| Balance at end of year | 203,595 | 202,442 |
| Amounts recognised in profit of loss for investment properties | | |
| Rental revenue | 17,686 | 15,819 |
| Direct operating expenses from rental generating properties | (7,364) | (7,490) |
| Net gain on disposal | - | 2,115 |
| Net gain / (loss) on revaluation | 156 | (959) |
| | 10,478 | 9,485 |

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

5. NON-CURRENT INVESTMENT PROPERTIES (CONTINUED)

| | Valuation Method | Weighted average cap rate 2021 | Weighted average cap rate 2020 | 31 July 2021 \$'000 | 31 July 2020 \$'000 |
|---|------------------|--------------------------------|--------------------------------|------------------------|------------------------|
| Sub-regional and Neighbourhood shopping centres (Coffs Central, Port Central and Kempsey Central) | (a) | 6.51% | 6.88% | 198,069 | 198,131 |
| Other properties | (b) | | | 5,526 | 4,311 |
| | | | | 203,595 | 202,442 |

(a) Fair value is based on capitalisation rates, which reflect vacancy rates, tenant profile, lease expiry and the underlying physical condition of the centre. The higher the capitalisation rate, the lower the fair value. Capitalisation rates used at 31 July 2021 were based on externally prepared valuations.

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

6. ADMINISTRATION EXPENDITURE

The Group has included a provision of \$2 million relating to the impact of COVID-19 lockdowns on the basis of rental deferrals and abatements relating to retail tenants up until January 2022.

7. RETAINED PROFITS

| As at | 31 July 2021 \$'000 | 31 July 2020 \$'000 |
|--|------------------------|------------------------|
| Retained profits at the beginning of the financial year | 76,031 | 77,042 |
| Net profit attributable to members of Gowing Bros. Limited | 10,381 | 4,747 |
| Transfer of loss on disposal of equity instruments at fair value through comprehensive income to retained earnings, net of tax | (941) | (371) |
| Transfer of prior year revaluation increment to retained earnings on the sale of freehold properties | 1,591 | - |
| Dividends provided for or paid | (3,755) | (5,387) |
| | 83,307 | 76,031 |

8. CONTRIBUTED EQUITY AND ISSUED SECURITIES

| | Number of shares 31 July 2021 | Number of shares 31 July 2020 | 31 July 2021 \$'000 | 31 July 2020 \$'000 |
|----------------------------|-------------------------------|-------------------------------|------------------------|------------------------|
| Share capital | | | | |
| Ordinary shares fully paid | 53,624,983 | 53,746,240 | 12,693 | 12,895 |

Movements in ordinary share capital

| Date | Details | Number of shares | Issue price per share | \$'000 |
|------------|----------------|-------------------|-----------------------|---------------|
| 31/07/2020 | Balance | 53,746,240 | | 12,895 |
| 15/10/2020 | Share buy back | (100,000) | \$1.51 | (151) |
| 8/7/2021 | Share buy back | (21,257) | \$2.38 | (51) |
| | | 53,624,983 | | 12,693 |

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.

8. CONTRIBUTED EQUITY AND ISSUED SECURITIES (CONTINUED)

Dividend Reinvestment Plan

The Dividend Reinvestment Plan may be offered to shareholders by Directors and allows shareholders to reinvest dividends into shares in the Company. The Dividend Reinvestment Plan has been suspended for the final dividend declared on 29 September 2021.

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

121,257 shares were bought back during the year (2020: 192,955).

9. DIVIDENDS

| | Cents per share | Total amount \$ | Date of payment |
|---|-----------------|-----------------|-----------------|
| The following dividends were declared and paid by the Group during the year ended 31 July 2021: | | | |
| Final fully franked dividend | 3.0 cents | 1,609,387 | 29 October 2020 |
| Interim fully franked dividend | 4.0 cents | 2,145,850 | 23 April 2021 |

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

Since the end of the year ended 31 July 2021, the directors declared the following dividend:

| | | | |
|------------------------------|-----------|-----------|-----------------|
| Final fully franked dividend | 4.0 cents | 2,145,850 | 29 October 2021 |
|------------------------------|-----------|-----------|-----------------|

The dividend declared since the year end will be fully franked at the tax rate of 30%.

10. RESERVES

| As at | 31 July 2021 \$'000 | 31 July 2020 \$'000 |
|--|------------------------|------------------------|
| Capital profits reserve¹ | | |
| Opening balance | 90,503 | 90,503 |
| Transfer from retained profits | - | - |
| Closing balance | 90,503 | 90,503 |
| Long term investment revaluation reserve² | | |
| Opening balance | 2,860 | 8,308 |
| Changes in financial assets held at fair value through other comprehensive income | | |
| - Changes in fair value of equities | 6,719 | (8,313) |
| - Deferred tax applicable to fair value adjustments | (2,016) | 2,494 |
| - Transfer of loss on disposal of equity instruments at fair value through comprehensive income to retained earnings, net of tax | 941 | 371 |
| Closing balance | 8,504 | 2,860 |

10. RESERVES (CONTINUED)

| As at | 31 July 2021 \$'000 | 31 July 2020 \$'000 |
|--|------------------------|------------------------|
| Asset revaluation reserve³ | | |
| Opening balance | 1,591 | 1,591 |
| Transfer of prior year revaluation increment to retained earnings on the sale of freehold properties | (1,591) | - |
| Closing balance | - | 1,591 |
| Foreign currency translation reserve⁴ | | |
| Opening balance | 197 | 394 |
| Exchange differences on translation of foreign operations | (53) | (197) |
| Closing balance | 144 | 197 |
| Total reserves | 99,151 | 95,151 |

¹ The capital profits reserve is used to record pre-CGT profits.

² The long term investment revaluation reserve is used to record increments and decrements in the fair value of equities held at fair value through other comprehensive income.

³ The asset revaluation reserve is used to record increments and decrements in the fair value of freehold properties recognised in other comprehensive income.

⁴ The foreign currency translation reserve records exchange rate differences arising on translation differences on foreign controlled subsidiaries.

11. EARNINGS PER SHARE

| For the year ended | 31 July 2021 | 31 July 2020 |
|---|---------------------|--------------------|
| Basic earnings per share (cents) | 19.35 | 8.82 |
| Diluted earnings per share (cents) | 19.35 | 8.82 |
| Weighted average number of ordinary shares on issue (basic and diluted) | 53,665,722 | 53,842,723 |
| Net profit after tax | \$10,382,000 | \$4,747,000 |

12. NET TANGIBLE ASSET BACKING

| As at | 31 July 2021 | 31 July 2020 |
|--|--------------|--------------|
| NTA per ordinary security before tax on unrealised gains | \$3.82 | \$3.55 |
| NTA per ordinary security after tax on unrealised gains | \$3.57 | \$3.34 |

The company is a long term investor and does not intend to dispose of its investment portfolio.

13. INTERESTS IN JOINT VENTURES

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

The Group's interests in the assets employed in the joint ventures are included in the consolidated statement of financial position, under the following classifications:

| | 31 July 2021 \$'000 | 31 July 2020 \$'000 |
|---|------------------------|------------------------|
| Current assets | | |
| Cash | 41 | 74 |
| Trade and other receivables | 59 | 18 |
| Total current assets | 100 | 92 |
| Non-current assets | | |
| Investment properties | 4,250 | 3,000 |
| Total non-current assets | 4,250 | 3,000 |
| Current share of assets employed in joint venture | 4,350 | 3,092 |
| Current liabilities | | |
| Trade and other payables | 27 | 18 |
| Borrowings | 1,101 | 1,350 |
| Total current liabilities | 1,128 | 1,368 |
| Non-current liabilities | | |
| Borrowings | - | - |
| Total non-current liabilities | - | - |
| Current share of liabilities employed in joint venture | 1,128 | 1,368 |
| Net assets employed in joint venture | 3,222 | 1,724 |

\$1.101 million of borrowings is secured against investment properties of Regional Retail Properties.

14. 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 | Ownership Interest |
|--|--------------------------|--------------------|--------------------|
| | | % 2021 | % 2020 |
| Pacific Coast Developments 357 Pty Ltd | Australia | 100 | 100 |
| Pacific Coast Developments 357 Fund | Australia | 99.9 | 99.9 |
| 1868 Capital Pty Ltd | Australia | 100 | 100 |
| Pacific Coast Developments 112 Fund | Australia | 99.9 | 99.9 |
| Gowings SHI Pty Ltd | Australia | 99.9 | 99.9 |
| SHI Holdings Pty Ltd* | Australia | 99.9 | 99.9 |
| Fin Control Systems Pty Ltd* | Australia | 99.9 | 99.9 |
| Surfing Hardware International Holdings Pty Ltd* | Australia | 99.9 | 99.9 |
| Surf Hardware International Asia Pty Ltd* | Australia | 99.9 | 99.9 |
| Surf Hardware International Europe SARL* | France | 99.9 | 99.9 |
| Surf Hardware International UK Ltd* | England | 99.9 | 99.9 |
| OZ4U Holdings Pty Ltd* | Australia | 99.9 | 99.9 |
| Sunbum Technologies Pty Ltd* | Australia | 99.9 | 99.9 |
| Surfing Hardware International USA Inc.* | United States of America | 99.9 | 99.9 |
| Surf Hardware International USA Inc.* | United States of America | 99.9 | 99.9 |
| Surf Hardware International Hawaii Inc.* | United States of America | 99.9 | 99.9 |
| Surf Hardware International Japan KK* | Japan | 99.9 | 99.9 |
| Surf Hardware International Pty Ltd* | Australia | 99.9 | 99.9 |
| Surf Hardware International New Zealand Pty Ltd* | New Zealand | 99.9 | 99.9 |
| Gowings Master Trust | Australia | 100 | 100 |
| 1868 High Yield Trust | Australia | 100 | 100 |
| Gowings Life Sciences Trust | Australia | 100 | 100 |
| Gowing Bros Management Services Pty Ltd | Australia | 100 | 100 |
| Coastbeat Pty Ltd | Australia | 100 | 100 |

* SHI Holdings Pty Limited and controlled entities controlled by Gowings SHI Pty Ltd.

No other interests in subsidiaries or other entities (excluding joint ventures) were held by the Group in the 31 July 2021 financial year.

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

15. SUBSEQUENT EVENTS

The Group has announced a dividend since the end of the year which has been included in Note 9.

Cobram Estate Olives has listed on the ASX under the ticker CBO, the closing price on the 28 September 2021 was \$2.00. The market valuation of the Group's shareholding is approximately \$20.9 million.

Dice Molecules Holdings LLC has listed on the NASDAQ under the ticker DICE, the closing price on the 27 September 2021 was \$33.75 USD. The market valuation of the Group's shareholding is approximately \$8.9 million.

The Group is continuously monitoring the COVID-19 lockdown situation and the associated impact on the Group's activities.

No other matters or circumstances have arisen which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.