



G O W I N G B R O S

Investing Together For a Secure Future

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5 April 2016

Dear fellow shareholders,

REPORT TO SHAREHOLDERS ON HALF YEAR RESULTS TO 31 JANUARY 2016

The Company's Appendix 4D and financial report for the half year ended 31 January 2016 were lodged with the Australian Securities Exchange (ASX) on 30 March 2016 and are available to be downloaded from the Company's website or the ASX website.

FINANCIAL HIGHLIGHTS

- Net assets per share before tax on unrealised gains increased to \$3.89 from \$3.77 during the six months to 31 January 2016. Opening net assets per share have been restated for comparative purposes for the 1:10 bonus issue during the period.
- The increase in net assets was largely attributable to the significant realised gains on the sale of the Company's shareholding in Blackmores Limited together with an appreciation in value of the Pacific Coast Shopping Centre portfolio.
- Total shareholder returns before tax on unrealised gains of 4.8% for the six month period ended January 31 2016 was pleasing, particularly considering the volatility and general weakness in capital markets over the same period.
- Profit After Tax increased 295% to \$18.6 million, up from \$4.7 million in the prior corresponding period. This figure includes the capital profit from the sale of shares in Blackmores and the revaluation of the Pacific Coast Shopping Centre portfolio.
- The Equity Portfolio performed strongly with an underlying total return of 15.6% compared with the negative returns and highly volatile nature of the stock market during the period.
- Shareholders received a bonus issue of shares of 1:10 during the period, as announced in the 2015 year end accounts. The bonus shares rank equally for the interim fully franked LIC capital gains tax dividend of 6 cents, representing an effective 10% increase in total dividends for the period.
- The Company increased its cash holdings to \$26 million at 31 January 2016, representing 13% of net assets at period end. Cash includes holdings of \$15.6 million in Australian dollars and \$10.3 million in foreign currency.



The reporting period is the half year ended 31 January 2016 with the previous corresponding period being the half year ended 31 January 2015 unless otherwise stated. The results have been reviewed by the company's auditors.

DIVIDENDS

Interim fully franked LIC capital gains tax dividend per share	0% change	6.0 cents
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The record date for the interim dividend	5th April 2016
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The payment date of the interim dividend	28th April 2016
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The interim dividend is classified as a fully franked LIC capital gains tax dividend subject to the Company's full year result.

A 1:10 bonus issue of ordinary shares was made to shareholders during the period, with the new shares ranking equally for the current interim dividend, providing shareholders with an effective 10% increase in the total dividend to be paid.

REVENUE

Total Revenue from Ordinary Activities	Up 5%	\$10.9 million
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Other Income	Up 523%	\$23.6 million
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EARNINGS

Profit after tax	Up 295%	\$18.6 million
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Earnings per share	Up 294%	34.7c
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NET TANGIBLE ASSETS PER SHARE

Before provision for tax on unrealised gains	Up 3.2%*	\$3.89
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After provision for tax on unrealised gains	Up 4.3%*	\$3.62
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* Net assets per share as at 31 July 2015 have been restated for comparative purposes to reflect the 1 for 10 bonus issue during the period.


PROFIT AND LOSS STATEMENT

For the half year ended	31 Jan 2016 \$'000	31 Jan 2015 \$'000	Movement
Revenue from Ordinary Activities			
Interest income	91	145	-37%
Investment properties	9,788	9,558	2%
Equities	964	781	23%
Managed private equities	39	(91)	143%
Total Revenue from Ordinary Activities	10,882	10,393	5%
Expenses			
Investment and development property	3,762	3,695	2%
Borrowing cost	1,566	1,592	-2%
Administration, public company and other	2,005	1,602	25%
Total Expenses	7,333	6,889	6%
Net Income from Ordinary Activities	3,549	3,504	1%
Income tax expense – ordinary activities	(1,123)	(1,227)	8%
Net Profit after Tax on Ordinary Activities	2,426	2,277	7%
Other income	23,641	3,797	523%
Unrealised impairment on listed equities	(431)	(194)	-122%
Profit Before Tax	25,636	5,880	336%
Income tax expense – other activities	(6,995)	(1,159)	504%
Profit After Tax	18,641	4,721	295%
Other Comprehensive Income			
Items that may be reclassified to profit or loss:			
Transfer from unrealised reserves to realised gains after tax (Decrease) / Increase in fair value of investments net of tax	(6,778) (765)	(1,132) 434	na na
Total Comprehensive Income	11,098	4,023	176%

SHAREHOLDER RETURNS

For the half year ended	<u>Before</u> tax on unrealised capital gains	<u>After</u> tax on unrealised capital gains
Opening net assets per share as at 31 July 2015*	\$3.77	\$3.47
Closing net assets per share as at 31 January 2016	\$3.89	\$3.62
Increase in net assets per share	12c	15c
Plus ordinary dividend paid	6c	6c
Total Return for the six month period (c)	18c	21c
Total Return for the six month period (%)	4.8%	6.1%

* Net assets per share as at 31 July 2015 have been restated for comparative purposes to reflect the 1 for 10 bonus issue.



REVIEW OF OPERATIONS

Pacific Coast Shopping Centres

The Board continues to be pleased with the underlying financial and operational performance of the Pacific Coast Shopping Centre portfolio. Valuations remain strong and well supported, as evidenced by recent market sales. Management have identified significant development opportunities at each centre, subject to feasibility and Board approval as discussed below.

Moonee Marketplace

Over the past six months, the Company has initiated a targeted leasing and capital works program aimed at filling vacancies. Strong leasing interest has been achieved to date having secured two bulky goods tenancies including a health club, which opened in October 2015. The capital works program includes installing shade sails in the car park and the partial enclosure of the mall to provide improved weather protection.

This is expected to improve the performance of the centre which has been impacted by the entry of a new supermarket nearby.

Coffs Central

The Company has received development approval to expand the centre to create some 2,000m² of additional retail space with works due to commence in the second half. Further development applications have been lodged for longer term master planning of the site. Council has completed a \$3 million capital upgrade to the adjoining carpark with a further \$5 million of city centre works due to be completed in the current calendar year aimed at further revitalising the City Centre of Coffs Harbour.

The underlying performance of Coffs Central has been steady with no material change to occupancy levels and stable retailer sales.

Kempsey Central

The Company was part of a successful joint application to secure a Federal grant to develop a cinema on top of Kempsey Central in conjunction with Council and a cinema operator. The objective of the venture is to stimulate retail sales and employment incomes in the town centre. Management will continue to work constructively with the Kempsey Council and a local cinema operator to bring the opportunity to fruition.

Kempsey Central has had a very strong trading performance over the past 12 months with sales growth of more than double the NSW retail average.

Port Central

Foot traffic and specialty retail sales at Port Central have been relatively strong, reflecting a very vibrant local economy which is being supported by strong tourism numbers and a number of new developments in the area including building a new university campus.

At Port Central the Company continues to look for ways to improve the customer experience. In particular, the Company is currently working towards installing a new digital audio visual platform throughout the Centre, and initiating a significant upgrade to the public Wi-Fi system bringing the customer experience at Port Central to the same level being offered at Coffs Central.

Further Development Opportunities

All four shopping centres currently have further development opportunities at various stages of evaluation. The majority of these opportunities are at the preliminary stage, involving conceptual design and feasibility. Some minor works have commenced at Moonee Beach during the period as



Pacific Coast Shopping Centres (Continued)

noted above. Coffs Central has received development approval for both an expansion and a Level 1 reconfiguration subject to commercial negotiations and Board approval. Significant development opportunities at Port Central are also being investigated. Should all these projects proceed, there is the potential for in excess of \$100 million of capital works over the next 24 to 36 months.

Investment Portfolio

This financial period will undoubtedly be most remembered for the outstanding performance of the now fully realised investment in Blackmores Limited. This long term investment was initially sold down by 30% when its value increased to such an extent that the portfolio became overweighted. Despite the strong underlying performance of the business, the balance of the holding was then sold above \$200 when the share price was assessed to have run too far ahead of its valuation and also due to the significant uncertainty in investment markets at the time.

Boundary Bend has provided positive results and feedback, with the new US operations starting to get underway in a meaningful manner. During the first half, sales of Boundary Bend's packaged olive oil products under the brand name Cobram Estate and Red Island are reported to have increased 9.4% ahead of the same period last year.

TPI Enterprises, whose business is the manufacture of pharmaceutical grade morphine, listed during the half and has subsequently moved its manufacturing facility from Tasmania to Victoria. TPI has received regulatory permission to grow poppies in Victoria, South Australia and the Northern Territory. These new sources of poppy straw along with continuing supplies from Tasmania should underwrite the feasibility of the new Melbourne facility.

DiCE Molecules, a US biotech company with unique technology to identify cures for currently incurable diseases, announced a successful agreement with Sanofi, the largest French Pharmaceutical company to utilise DiCE's technology. The Sanofi agreement is an important milestone in the development of DiCE Molecules and should support its working capital requirements for the next five years. According to reports, the contract is initially for US\$50 million in research funding and up to US\$2.3 billion if DiCE Molecules is able to meet key research milestones.

During the period the Company made a new investment in Hydration Pharmaceuticals. After the successful development and sale of Hydrolyte Australia to Prestige Brands Inc, the team from Hydrolyte Australia have focussed their attention on US and Canadian markets through Hydration Pharmaceuticals. Hydration Pharmaceuticals has formed a major distribution partnership in the US with Emerson Inc. which has also become a foundation investor in the business.

OUTLOOK

Australian and international equity markets peaked around April last year. Markets have been weak and volatile since then, with volatility becoming extreme in January and early February this year. A number of OECD central banks have set their benchmark interest rates at below zero, a setting the Company does not believe is sending out a positive message regarding the global economy.

With interest rates at such low settings, there is further uncertainty regarding the ability of both central bank and government to stimulate their respective economies, should the world move into a recession again.

The Company is currently holding substantial cash reserves which the Board believes is prudent in the current environment despite the prospect of earning the lowest rates of interest in living memory. The Board and Management will continue to be on the lookout for sound long-term investments that will enhance shareholder returns.


GOWINGS AT A GLANCE

	31 Jan 2016	31 Jul 2015
	\$	\$
Cash		
Australian Dollars	15,644,000	1,027,000
Foreign Currency	10,307,000	11,810,000
Total	25,951,000	12,837,000
Australian Equity Portfolio		
Boundary Bend Limited	5,539,000	5,371,000
Carlton Investments	5,451,000	5,509,000
Westpac Banking Corporation	2,499,000	2,824,000
TPI Group Limited	2,440,000	2,000,000
ANZ Banking Group	2,418,000	3,268,000
National Australia Bank	2,162,000	2,816,000
BT Investments	1,820,000	1,663,000
Tassal Group	1,443,000	1,128,000
Blackmores Ltd	-	9,009,000
Woolworths Ltd	-	2,860,000
Other holdings	15,344,000	14,108,000
Sub-Total	39,116,000	50,556,000
International Holdings		
Hydration Pharmaceuticals	2,767,000	-
DiCE Molecules	1,349,000	1,349,000
Other	1,515,000	3,186,000
Sub-Total	5,631,000	4,535,000
Total Equity Holdings	44,747,000	55,091,000
Managed Private Equity Portfolio	2,798,000	2,604,000
Pacific Coast Shopping Centre Portfolio		
Sub-regional shopping centres	144,347,000	139,747,000
Neighbourhood shopping centres	33,279,000	33,000,000
Borrowings	(47,000,000)	(47,000,000)
Total	130,626,000	125,747,000
Other Direct Properties		
Property	13,547,000	13,154,000
Borrowings	(1,850,000)	(1,900,000)
Total	11,697,000	11,254,000
Working Capital	(6,793,000)	(4,251,000)
Net assets before tax on unrealised gains on equities and investment properties	209,026,000	203,282,000
Provision for tax on unrealised gains on equities and investment properties	(14,662,000)	(16,511,000)
Net assets after tax on unrealised gains on equities and investment properties	194,364,000	186,771,000

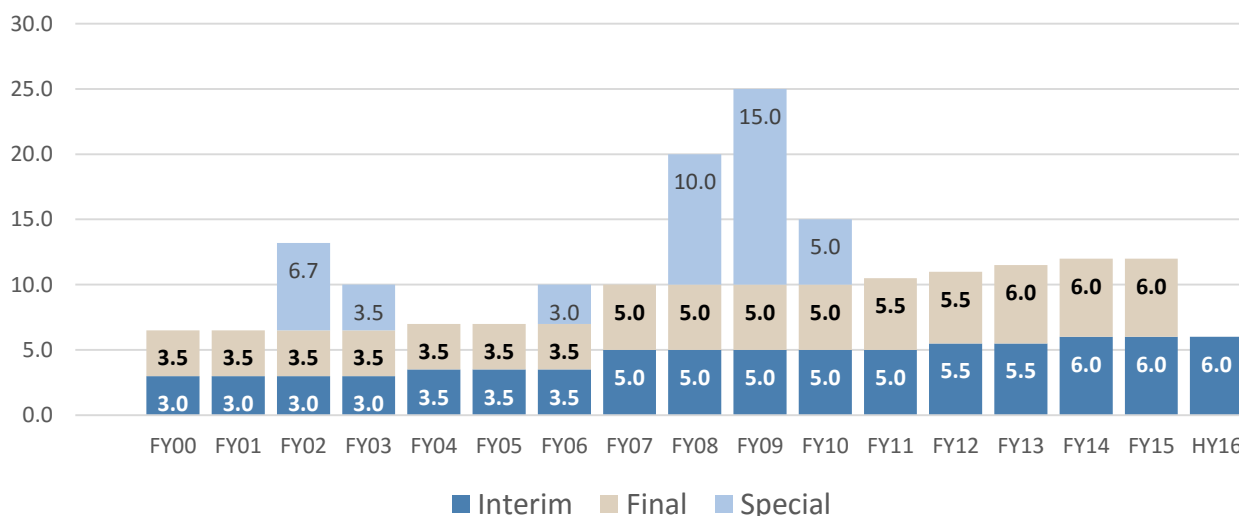


KEY METRICS

	31 Jan. 2016 (6 months)	31 July 2015 (12 months)	31 July 2014 (12 months)	31 July 2013 (12 months)	31 July 2012 (12 months)
Net Assets	\$194.4m	\$186.8m	\$170.2m	\$157.2m	\$150.5m
Net Assets per Share*					
- Before tax on unrealised gains	\$3.89	\$3.77	\$3.34	\$2.99	\$2.83
- After tax on unrealised gains	\$3.62	\$3.47	\$3.16	\$2.92	\$2.79
Total Comprehensive Income	\$11.1m	\$22.5m	\$18.9m	\$12.4m	\$5.6m
Earnings per Share*	34.7c	35.5c	26.1c	13.5c	11.1c
Dividends per Share*	6.0c	12.0c	12.0c	11.5c	11.0c
Total Shareholder Return	4.8%	16.30%	15.20%	9.50%	3.50%

* Net Assets per share and Earnings per Share as at 31 July 2015 and previous years have been restated for comparative purposes to reflect the 1 for 10 bonus issue during the period. Dividends per share have not been adjusted.

DIVIDENDS PER SHARE (Unadjusted for 1:10 Bonus Issue during the period)



Dividends are reflected per share and therefore the 1HY16 Interim Dividend of 6c is effectively a 10% increase when taking into account the 1 for 10 bonus issue of shares during the period.

J. E. Gowing
 Managing Director
 5 April 2016