



UPDATE

INVESTING TOGETHER FOR A SECURE FUTURE

GOWING BROS NEWSLETTER



Welcome to Gowings Bros update

Our investment objective is to maximise and protect shareholder wealth over the long term.

Shareholder Returns

	Before tax on unrealised gains	After tax on unrealised gains
Net assets per share 31 Jan 2014	\$3.36	\$3.27
Net assets per share 31 Jul 2013	\$3.29	\$3.21
Increase in net assets per share	\$0.07	\$0.06
Ordinary fully franked interim dividend	\$0.06	\$0.06
Total Return	\$0.13	\$0.12
Total Return %	4.0%	3.7%

* Shareholder returns are after all internal management expenses, operating expenses and tax paid.

Net assets per share was \$3.36 as at 31 January 2014 before allowing for tax on unrealised capital gains. If the company were to sell its entire long term investment portfolio, its net assets per share after tax paid would be \$3.27 per share.

Gowings net assets per share increased by 13 cents during the half year, less the 6 cents in fully franked dividends paid to shareholders. The 13 cents increase reflects a 4% total shareholder return.

Shareholder returns are after the payment of all operating expenses and taxes on realised gains, they also include the benefit of the franked dividend paid during the period.

Movement in Net Assets per Share

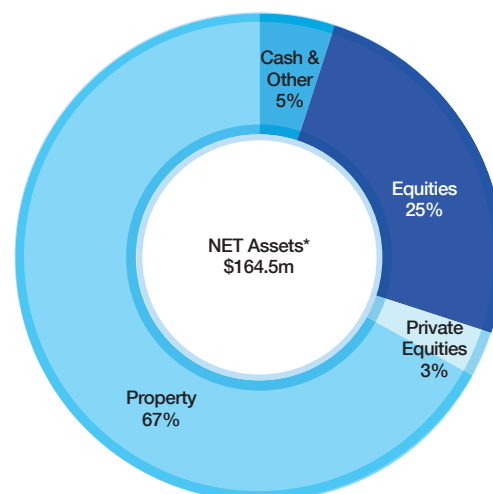
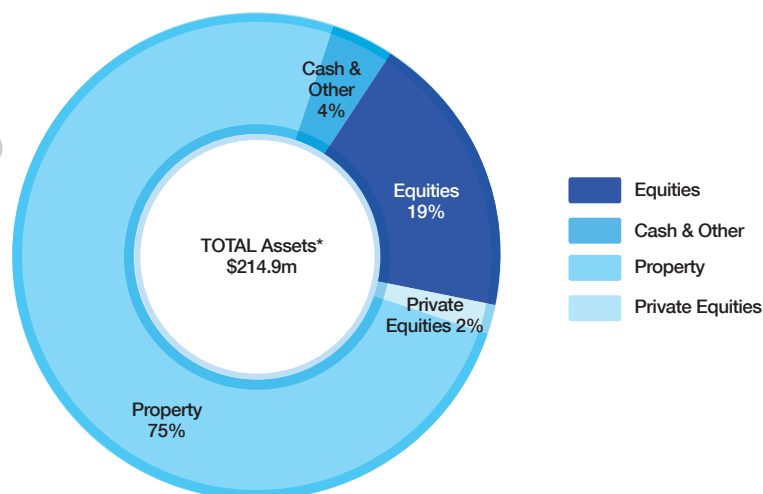


Dividend Paid

The board of directors declared a **6.0c fully franked interim dividend** per share paid on 24 April 2014.



Gowings At A Glance



As at	31 Jan 2014 \$	31 Jul 2013 \$
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1. CASH & OTHER

Cash and term deposits	6,675,000	6,784,000
Unlisted bonds	501,000	5 03,000
Working capital **	2,834,000	2,398,000
Total Cash & Other	10,010,000	9,685,000

2. EQUITIES

Woolworths Ltd	4,495,000	4,396,000
Carlton Investments	4,364,000	3,868,000
Boundary Bend Limited	4,196,000	4,061,000
ANZ Banking Group	3,676,000	3,631,000
UBS Magellan Fund	3,537,000	3,317,000
Westpac Banking Corporation	2,500,000	2,502,000
National Australia Bank	2,494,000	2,342,000
Blackmores Ltd	2,222,000	2,660,000
TPI Group Limited	2,000,000	2,000,000
Other holdings	10,961,000	11,273,000
Total Equities	40,445,000	40,050,000

3. PRIVATE EQUITIES^(A)

Macquarie Whole Sale Co-Investment Fund	2,003,000	1,843,000
Macquarie European Infrastructure	1,640,000	2,370,000
Other Investments	559,000	1,741,000
Total Private Equities	4,202,000	5,954,000

* Before provision for tax on unrealised gains on equities.

** Working capital consists of all other assets not defined separately above, all liabilities excluding borrowings of \$50,312,000, (31 July 2013: \$49,100,000) and before provision for tax on unrealised gains on equities.

As at	31 Jan 2014 \$	31 Jul 2013 \$
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4. PROPERTY

Retail ^(B)	151,885,000	148,157,000
Commercial	3,993,000	3,648,000
Industrial	500,000	500,000
Residential	1,409,000	982,000
Property Development	2,406,000	1,435,000
Borrowings	(50,312,000)	(49,100,000)

Total Property (net of borrowings) 109,881,000 105,622,000

Net assets before tax on unrealised gains	164,538,000	161,311,000
Provision for tax on unrealised gains	(4,444,000)	(4,029,000)
Net assets after tax on unrealised gains	160,094,000	157,282,000

Number of Shares Outstanding 49,003,325 49,003,325

Net assets per share before estimated tax on unrealised gains \$3.36 \$3.29

Net assets per share after allowing for estimated tax on unrealised gains \$3.27 \$3.21

Valuation Methodology

(A) Private equity investments are recorded at manager valuations with reference to market peers and are reviewed for reasonableness.

(B) Fair value is based on capitalisation rates which reflect vacancy rates, tenant profile, lease expiry, development potential and the underlying physical condition of the centre. The capitalisation rates used at 31 Jan 2014 have been updated to reflect current market conditions.



Recurring Income

Half year ended	31 Jan 2014	31 Jan 2013
Recurring Revenue	\$'000	\$'000
Rent	8,942	8,565
Dividends	901	621
Private equities	350	(14)
Interest income	103	456
Total Recurring Revenue	10,296	9,628
Expenses		
Investment property expenses	3,893	3,507
Administration expenses	406	218
Borrowing cost expenses	1,611	1,661
Depreciation	58	65
Employee benefits	915	1,029
Public company expenses	228	156
Total Expenses	7,111	6,636
Net Recurring Income	3,185	2,992
Non Recurring Income		
Gains (losses) on disposal or revaluation of:		
Equities	(181)	5,747
Private equities	439	398
Investment properties	3,029	-
Development properties	-	443
Other	(3)	2
Profit Before Tax	6,469	9,582
Income tax expense	(1,685)	(2,780)
Net Profit After Tax	4,784	6,802
Net increase in fair value of investments net of tax	968	2,025
Total Comprehensive Income	5,752	8,827



Outlook

Gowings' investment portfolio includes a mix of diversified assets that are well positioned to protect and grow shareholder wealth over the long term. Following the Global Financial Crisis, Gowings opportunistically acquired shopping centres at low prices for their ability to generate relatively high and stable income streams. Retail shopping centres now account for 71% of our investment portfolio on a gross basis.

Over the past 4 years, we have developed Port Central, Kempsey Central and Coffs Central, resulting in increased incomes and average lease expiries, as well as improving the underlying quality of the assets.

During the redevelopment phase of the past few years, Gowings' income has been impacted by the associated vacancies, rent free periods and general construction disruption. Over the coming calendar year, we expect the income from our shopping centres to grow as vacancies are filled and rent free periods expire.

From a capital growth perspective, it is interesting to see that investor demand for shopping centres is rising as evidenced by the record sales of shopping centres in 2013 with \$7.1 billion of retail centres traded, the highest figure ever recorded for the Australian market. By historical standards, this level of transaction activity is 84% above the long term 15-year average of \$3.8 billion. A key theme of 2013 was capital moving down from major regional and CBD assets, into quality sub-regional and neighbourhood assets.

Despite the high levels of investment activity and growing competition, yields have remained relatively stable with some evidence of moderate yield compression for the better quality assets.

Gowings maintains the balance of its portfolio in cash, private equities and listed equities providing the benefits of liquidity, diversification and the potential for higher capital growth.

Whilst the outlook for economic growth has improved, there is still much uncertainty with regards to global economic and fiscal imbalances, sovereign tensions and China's slowing growth. As such, we remain cautiously optimistic with a mix of high quality well diversified assets with an ongoing focus on income producing assets.

About Gowings

INVESTMENT OBJECTIVE

To maximise and protect shareholder wealth over the long term.

INVESTMENT PHILOSOPHY

Investments are made across different asset classes to take advantage of changing cycles.

Investments are made in assets which have the potential to deliver superior growth over the long term when that growth is not reflected in today's asset prices. Investments are made on a risk return basis with higher returns required for more risky assets. An investment is sold when its outlook becomes uncertain or it becomes significantly overvalued.

As a long term investor, we seek to maximise our returns over time through capital and income growth assisted by the power of compound interest and by minimising tax and transaction costs.

At Gowings, all the board of directors and management are shareholders giving rise to our commitment to "investing together for a secure future."

John Gowling

Managing Director



Property Portfolio Update

	Cost Including All Additions \$'000	2014 Cap Rate (%)	2013 Cap Rate (%)	2014 \$'000	2013 \$'000
Port Central SC	62,358	8.75	8.75	70,000	67,900
Coffs Central SC	50,886	9.0	9.0	48,500	46,300
Kempsey Central SC	15,899	10.0	10.0	14,613	14,500
Moonee Marketplace SC	13,665	9.75	9.75	13,665	13,550
Other Properties	9,974	n/a	n/a	8,655	7,868
Total	152,782			155,433	150,118

Fair value for shopping centres is based on capitalisation rates which reflect vacancy rates, tenant profile, lease expiry, development potential and the underlying physical condition of the centre. The capitalisation rates used at 31 Jan 2014 have been updated to reflect current market conditions. Further information used to support capitalisation rates has been provided in the table below. Fair value for other properties is based on current prices in an active market for properties of similar nature or recent prices of different nature in less active markets.

	Port Central Shopping Centre	Coffs Central Shopping Centre	Kempsey Central Shopping Centre	Moonee Marketplace Shopping Centre
Acquisition date	18-Dec-09	4-Nov-11	12-Mar-10	13-May-10
Period of ownership	49 months	27 months	46 months	44 months
Age of centre	18.5 years	26.5 years	5.5 years	7.5 years
Location	Port Macquarie	Coffs Harbour	Kempsey	Coffs Harbour
Shopping centre type	Sub-regional	Sub-regional	Neighbourhood	Neighbourhood
Majors	Target, Super IGA	Big W, Best & Less	Coles, Target	Coles
Specialties	63	68	14	37
Specialty occupancy	94%	85%	86%	54%



PORT CENTRAL

www.portcentral.com.au



Port Central - strong progress from the leasing and re-furbishment program

Port Central continues to be a strongly performing shopping centre having recently been revalued to \$70 million at a yield of 8.75%. Port Central was purchased by Gowings only 4 years ago for \$57 million during the global financial crisis (GFC). The Centre's valuation uplift has been predominantly attributable to the incremental increase in net operating income. Rental incomes have grown over the years following a successful releasing strategy completed in a difficult retail environment. Expenses have also been able to be contained despite significant increases in government charges including electricity, water, council rates and land tax.

Further, the quality of the asset has also increased with Port Centre being the only enclosed shopping centre in Australia to be awarded a 5 star NABERS Energy rating, resulting in electricity savings of approximately 60%. In addition, the centre underwent a rebranding upgrade in 2012 and the food court was upgraded to double the seating capacity.

Port Central remains the premier shopping centre in Port Macquarie and is well positioned to benefit over the long term from the vibrant growth of one of Australia's most liveable cities.



Baker's Delight



Lorna Jane

COFFS CENTRAL

www.coffscentral.com.au



Coffs Central - a major project for long term returns

Coffs Central Stage 1 development works were largely completed during the first half. The centre has increased its specialty shops to 68 from 40 of which there are now only 3 vacancies. Coffs Central is a high quality modern shopping centre with designer facilities, alfresco dining and a 4 star building management system. The development has not only repositioned the centre as a retail destination of choice but has significantly revitalised the City Centre of Coffs Harbour.

A development application has been lodged for Stage 2 comprising an extension of approximately 2,000 square metres at an estimated cost of \$6 million. The construction of Stage 2 is subject to pre-leasing to suitable retailers and final board approval.

Whilst Stage 2 construction works are only a relatively minor extension, it strategically involves a Voluntary Planning Agreement with Council to undertake various civil works including intersection works and installing traffic lights to improve pedestrian access and activate the City Centre. Stage 2 as depicted below will create a modern masthead for Coffs Central and the City Centre as a whole.



Stage 2 Artist Impression



David Cini, "The Depot"

KEMPSEY CENTRAL

www.kempseycentral.com.au

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Kempsey is now benefitting from the Pacific Motorway Bypass and a vibrant program of civic upgrading which includes monthly Kempsey Riverside Markets

Kempsey is a neighbourhood centre anchored by a Coles Supermarket and a Country Target with 12 specialties of which 2 are currently vacant.

Kempsey has now completed flood protection works following a major flood event in early 2013 which had a major financial impact on the Centre as well as the sales of the retailers in the Centre.



EB Games



Stormriders

MOONEE MARKETPLACE

www.mooneemarketplace.com.au

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Moonee Marketplace is ideally located in a growing population precinct

Moonee Marketplace is only 5 years old and has been built in a high growth corridor north of Coffs Harbour on the north NSW coast. Despite being anchored by a strongly performing Coles supermarket, there are currently 17 vacancies out of a total of 37 specialties and bulky goods stores. Over the long term, the Centre will continue to grow as the surrounding population grows with the expansion of new residential estates. In the short term, Gowings plans some minor capital works over the coming 12 months to assist in the leasing of the Centre.



Moonee Markets



Maharaja