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GOWING BROS

ANNUAL REPORT 2004

INVESTING TOGETHER FOR A SECURE FUTURE

GOWING BROS. LIMITED

ACN 000 010 471

GOWING BROS

Investing Together for a Secure Future

GOWING BROS. LIMITED

ACN 000 010 471

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"Never try and sell at the top or buy at the bottom, be happy to leave a little bit in it for the next man".

E. J. GOWING "PRINCIPLES OF INVESTING"

GOWING BROS

Investing Together for a Secure Future

GOWING BROS. LIMITED
ACN 000 010 471

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MANAGING DIRECTOR'S

REVIEW OF OPERATIONS

On behalf of the Directors of Gowing Bros. Ltd, I am pleased to present the financial report for the year ended 31 July 2004.

FINANCIAL HIGHLIGHTS

The highlights for the year were the significant returns of $2.135 million received from our managed private equity investments and the robust 33% increase in earnings from our continuing operations in property and investment management of $5.690 million before tax (last year $4.272 million).

Our reported net profit after tax of $4.057 million was adversely impacted by the equity accounting requirement to bring to account our pro-rata share of losses reported during the year by our associate, Gowings Retail Ltd ($3.487 million). Prior to this adjustment the net profit after tax was $7.544 million, which was in line with last year.

It is important to note that this equity accounting adjustment is a book entry only. It has no effect on our cash position or our primary measure of performance, which is the growth in the market value per share of our underlying net assets. After taking into account dividends paid during the year this measure grew over 12% to a record $2.84 per share on a pre-tax basis.

COMMENTS ON THE MARKET AND OUTLOOK

Since last corresponding with shareholders in March, the Australian equities market has continued to strengthen, largely reflecting the growing feelings of confidence in the global economy as the shockwaves surrounding the invasion of Iraq and the subsequent occupation gradually subside. We have been relatively inactive during this period, being primarily a value seeking long term investor. The total return on our portfolio of investments, excluding long term property holdings, was approximately 15% for the year. While this was lower than that achieved by the ASX 200 accumulation index, I believe it was a very strong performance, bearing in mind our portfolio is deliberately weighted towards industrial companies, and a significant proportion of the increase in the ASX 200 was derived through the surge in energy and mining stocks, a sector we treat with caution because of its track record of volatility.

	2004 $'000	2003 $'000
SUMMARY FINANCIAL RESULTS		
Profit from continuing operations in property and investment management before tax	**5,690**	**4,272**
Profit from non-recurring significant items before tax		
Net distributions received from managed private equity	2,135	148
Profit on disposal of long term listed investments	601	31
Profit on disposal of properties held for long term investment	-	3,981
Profit on disposal of other investments	92	-
Equity accounted pro rata share in results of associate Gowings Retail Limited*	(3,487)	30
Total profit from non-recurring significant items	(659)	4,190
Net profit before tax	**5,031**	**8,462**
Income tax expense	(974)	(879)
Net profit after tax	**4,057**	**7,583**
Net assets at market value	128,927	116,786
Net assets per share	$2.84	$2.59
Interim dividend amount declared	3.5 cents	3.0 cents
Final dividend amount declared	3.5 cents	3.5 cents
Increase in market value of net assets per share	**12.7%**	**6.6%**

* See comments in the 'Financial Highlights' section of the 'Managing Director's Review of Operations'.

A number of stocks in the portfolio are worthy of mention, as they were the real drivers behind this year's growth. They were Noni B Ltd, which continues to deliver outstanding results and exceed investor expectations; Alesco Ltd, a great business model with outstanding management; SFE Ltd, unloved last year, market out performer this year; Blackmores Ltd, a significant beneficiary of the Pan fiasco; Fleetwood Ltd, a niche player in a growth market and Invocare Ltd, a new entrant with a strong presence in a market we would all like to avoid.

Going forward, we remain mindful of the continuing buoyant market. Future investment decisions will continue to focus on companies with demonstrated strong earnings per share growth, which are trading at realistic price earnings multiples and which operate in growth industries.

Your company continues to be in very sound financial shape. We have net total assets under management in excess of $128 million, which equates to $2.84 per share. Our portfolio is diversified over the categories of listed equities, managed private equity, mezzanine finance receivables, prime commercial property, property development and cash. We are very well positioned to continue to benefit from a strengthening market, or conversely, as a result of our prudent diversification and minimal gearing ratio, we are also strategically placed to weather any unforeseen future economic downturn.

John Gowing

Managing Director

23 September 2004

'BUNYA PINES ESTATE' KEMPSEY

A GOWINGS BROS. JOINT VENTURE

GOWING'S AT A GLANCE:

OUR PORTFOLIO

Investment Portfolio at Market Value	
Listed equities	$63,891,000
Private equity investments	
Macquarie MIT IIIA	$920,000
Crescent Capital Partners Fund I & II	$1,724,000
Other investments	$1,242,000
Total private equity investments	$3,886,000
Net interest bearing securities and other receivables	$7,299,000
Cash on hand	$3,003,000
TOTAL INVESTMENT PORTFOLIO	**$78,079,000**

Property Portfolio at Market Value		
Investment property		
45 Market Street, Sydney	$50,000,000	
70 Norton St, Leichhardt (50% share)		$4,725,000
Bayview Heights land		$3,323,000
Other property		$1,750,000
		$59,798,000
Development property		
Bunya Pines Estate		$1,050,000
TOTAL PROPERTY PORTFOLIO		**$60,848,000**

TOTAL INVESTMENT & PROPERTY PORTFOLIO	$138,927,000
Less debt	($10,000,000)
NET INVESTMENT & PROPERTY PORTFOLIO*	**$128,927,000**

10 Largest Equity Holdings^	
Westpac Banking Corporation	$5,213,000
Washington H. Soul Pattinson	$4,269,000
National Australia Bank	$4,126,000
BHP Billiton Limited	$3,814,000
Alesco Corporation Limited	$3,523,000
ANZ Banking Group Limited	$2,508,000
Woolworths Limited	$2,336,000
Fairfax (John) Holdings Limited	$2,243,000
Gowings Retail Limited	$2,205,000
Hills Industries Limited	$2,059,000
Other	$31,595,000
	$63,891,000

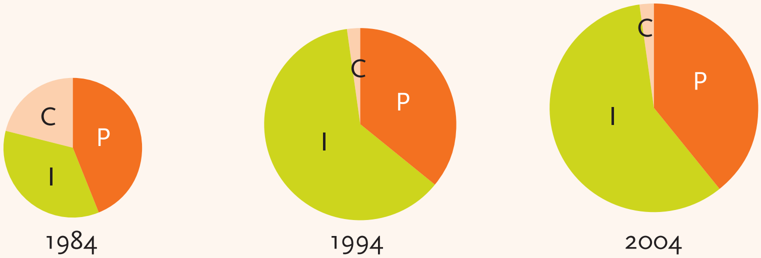
Reconciliation of Movement in Market Value of Net Assets Per Share	
Opening market value of net assets per share	$2.59
less dividends paid	($0.07)
Adjusted value	$2.52
Closing market value of net assets per share	$2.84
Movement – increase $	$0.32
Movement – increase %	12.7%

* Note: Valuations are on a pre-tax basis. Private equity values are based on investment managers' most recent valuations. Property values are based on management's opinion of fair market value arrived at after consultation with real estate advisors, valuers and joint venture partners. The figures in this 'At a Glance' schedule are not audited.

^ See full table at page 65.

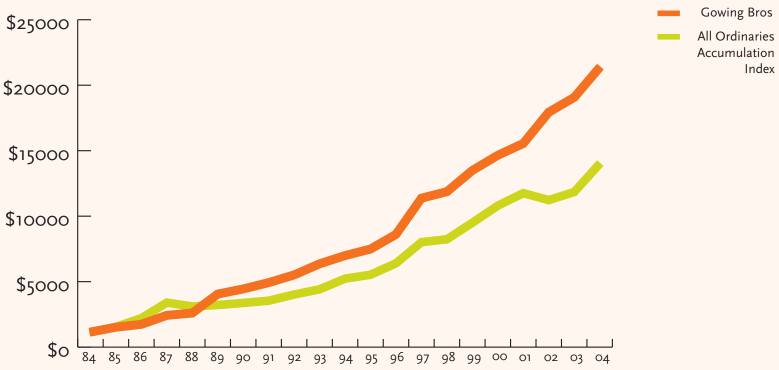
OUR TRACK RECORD

GROWTH IN NET ASSETS BY CLASS



Net Assets	1984	%	1994	%	2004	%
Property (P)	$10.0m	44	$30.4m	36	$50.8m	40
Investment (I)	$8.0m	35	$52.1m	62	$75.1m	58
Cash (C)	$4.7m	21	$1.7m	2	$3.0m	2
Total	$22.7m	100	$84.2m	100	$128.9m	100
Dividends Paid	1975-1984 $2.4m		1985-1994 $15.1m		1995-2004 $32.1m	

COMPARATIVE GROWTH OF $1,000



Bunya Pines Estate, Kempsey

Bunya Pines Estate is a 50/50 joint venture with local building contractor McEvoy Constructions. The land was purchased early last year, and after gaining development consent for a two stage subdivision from Kempsey Council, works on the subdivision commenced.

At the time of writing, works on the 74 lot subdivision have been completed, most of the 30 lots in stage 1 have been sold and we are in the process of arranging for settlement on a number of the lots in stage two. Sales have slowed in line with the general trend of the residential property market, however in the last month we have exchanged three contracts for sale.

THE BENEFITS OF
INVESTING IN GOWING BROS.

1. DIVERSIFICATION

Investors gain exposure to a range of underlying assets through a single investment thereby reducing the investment risk of 'putting all of their eggs in one basket'.

2. COMPELLING TRACK RECORD

We have outperformed the market average over the past twenty years and have successfully paid dividends every year.

3. STRONG FINANCIAL POSITION

Gowing Bros. has over $138 million in total assets and $10 million of bank debt.

4. MOTIVATED DIRECTORS AND MANAGEMENT

Directors and management are shareholders, providing a strong incentive to strive to maximise shareholder returns.

5. CAPITAL APPRECIATION

As the value of our net assets rises over time, it can be expected that the market price of our shares will rise as well.

6. CONSISTENT RETURNS

We have paid dividends every year since inception including numerous special dividends and bonus issues and have achieved consistent growth in our capital base.

7. FULLY FRANKED DIVIDENDS

Our dividends are generally paid fully franked, reducing the amount of tax payable by shareholders on income earned.

8. SPECIAL DIVIDENDS

A feature of our shareholders' returns has been the payment of special dividends in addition to our ordinary dividends.

9. TAXATION ADVANTAGES

For taxation purposes, we are classified as a Listed Investment Company (LIC), which allows us to pass on CGT tax concessions to shareholders.

Individuals, trusts and partnerships may be entitled to claim a 50% deduction for the LIC capital gain component of dividends received. Complying superannuation funds and life insurance companies may be entitled to a 33.3% deduction of the LIC capital gain dividends received.

A LIC capital gain is essentially a taxable capital gain that would qualify as a 'discount' capital gain if Gowing Bros. were an individual (i.e. capital gains on assets held for more than 12 months).

EXAMPLE OF TAX EFFECT OF LIC CAPITAL GAINS TAX DIVIDEND

Gowing Bros. paid its first LIC capital dividend of 3.5c per share in 2001. Assuming that a shareholder received $100 worth of fully franked dividends from their shareholding, the LIC tax benefit would be as follows:

	LIC Dividend	Regular Dividend
Franked dividend	$100.00	$100.00
Imputation credit	$42.86	$42.86
Assessable income	$142.86	$142.86
Less LIC capital gain deduction	$71.43	-
Taxable income	$71.43	$142.86
Tax thereon @ 48.5%	$34.64	$69.29
Less imputation credit	$42.86	$42.86
Tax refund (payable)	$8.22	($26.43)
Final after tax return	$108.22	$73.57

10. DIVIDEND REINVESTMENT PLAN (DRP) AND BONUS SHARE PLAN (BIL)

Gowing Bros. offers both a DRP and BIL plan allowing shareholders to acquire shares without any transaction costs.

11. SHARE BUY-BACKS

If we cannot find opportunities in which to invest our surplus capital then a better use of our money is to buy back our own shares. Higher earnings per share may lead to an increase in the price of a company's shares. As at the time of writing, the company is undertaking an on-market buy-back scheme as part of its strategy to increase shareholder returns.

12. STRONG NETWORK OF ALLIANCES

A presence in the broader Australian business and investment community for 135 years has given us a valuable network of alliances. We gain entry to the management of our investee companies and are often approached to participate in investments prior to or at the initial public offering stage. We personally know many of the directors of our investee companies and, indeed, their founders.

13. TRANSPARENCY IN MANAGED INVESTMENT

The Directors have endeavoured to increase the transparency and regularity of reporting within the context of the new ASX disclosure guidelines.

14. A COST EFFECTIVE AND CONVENIENT INVESTMENT

On average, we incur a relatively low rate of management expense compared with similar products and actively manage a diversified portfolio on your behalf.

OBERON ST, COOGEE PROJECT

'Crest', 211 Oberon St, Coogee

Last year, Gowings Property Partnership acquired two adjoining houses in Oberon Street, Coogee, which subsequently became the 'seed' investment for the Partnership's investment syndicate.

We are currently evaluating a number of prospective investments and hope to make a formal announcement about a second property in the not too distant future.

Artists impression of penthouse apartment

'Crest' has received development approval from Randwick Council for nine luxury apartments. These apartments, which will be superbly appointed, are targeted at the owner occupier market. Marketing off the plan has commenced and interest has been strong. The project has attracted significant media coverage and a penthouse apartment is under contract.

Artists impression of garden apartment

BOARD OF DIRECTORS AND MANAGEMENT

Gowing Bros.' Directors are shareholders in the Company, which ensures that their interests are aligned with those of other shareholders.

Tony Salier — Bachelor of Arts, LL.B (Sydney), LL.M (Harvard)

Chairman

Tony has been a Director of Gowing Bros. since 1974 and Chairman since 1995. Tony's association with the Gowing family and Gowing Bros. extends back over 30 years during which time Tony has witnessed and participated in the remarkable growth of the Company under the helm of Ted Gowing and John Gowing.

Tony is a senior partner in Pigott Stinson Ratner Thom, a long established Sydney law firm. Tony has practised corporate law for 38 years and has advised major local and overseas corporations. Tony was for many years the examiner in company law for the Barristers and Solicitors Admission Board.

Tony is a trustee/director of foundations and private companies with a combined portfolio exceeding $50 million.

John Gowing — Bachelor of Commerce, ACA, CPA

Managing Director

John has continued the tradition of success at Gowing Bros. during his seventeen years at the helm.

John is only the fourth Managing Director of Gowing Bros. Limited in 135 years. John's business and investment skills were nurtured from an early age by his father Ted. Ted passed on the knowledge that he had received from his father and grandfather. This heritage ensures that the Company remains a strong and stable performer through the good times and the bad.

John is particularly skilled at understanding the investment market and identifying opportunities and is well-suited to create a bold future for Gowing Bros.

John's finance and business skills were also grounded in his past employment with Ord Minnett stockbrokers and Arthur Young chartered accountants.

Michael Alscher | Bachelor of Commerce

Non-executive Director

Michael has served as a non-executive director since 2000. Michael is familiar with the Gowing Bros. business philosophy having worked as the Chief Operating Officer with the Company between 1997 and 2000.

Michael is the founding Executive Director of Crescent Capital Partners, a $125m development capital fund established in 2001.

Prior to joining Gowing Bros. Michael worked as a strategy consultant with Bain International, a leading US strategy consultancy firm and with the L/E/K Partnership, a UK strategy consulting firm. Michael also worked with the Chase Manhattan Bank.

John Parker | Bachelor of Economics

Non-executive Director

John has served as a non-executive Director since January 2002. John is a Director and principal of Saltbush Capital Markets, a niche funds management incubator and advisory firm.

John brings considerable experience to the Board with over twenty years of equities research and funds management experience. After spending four years in funds management, he joined Martin & Co in South Africa as a research analyst. He subsequently joined Ord Minnett (now JP Morgan Australia) in London before moving to Sydney. In Sydney John joined County Natwest Securities (now Citigroup Smith Barney Australia) in 1991. He was a Director from 1995 to 2001 and a top rated analyst servicing institutional investors.

Stephen Byers — Bachelor of Commerce, LL.B

Executive Officer – Property Division and Company Secretary

Stephen has been an integral part of the Gowing's executive management team in various roles over the past ten years at both a strategic and operational level. Stephen has been instrumental in growing the Company's property development and management activities as a core business.

Stephen also provides in-house legal counsel for the Group and previously practised for five years in commercial and property law.

Lyn-Maree Sharpe — Bachelor of Economics, CPA

Finance Manager

Lyn-Maree joined Gowing Bros. in 2003 and oversees the general financial accounting of the Group.

Prior to joining Gowing Bros, Lyn-Maree was a Senior Executive in KPMG Real Estate Services and worked on financial modelling and feasibility analysis for clients. Lyn-Maree has also worked for Industrial Equity Limited and CSR Limited in a variety of senior roles involving consolidated financial reporting, forecasting, currency hedging and futures trading.

Mark Steglick — Bachelor of Economics, MCom (Hons), MBA (AGSM)

Gowings Property Partnership

Mark established Gowings Property Partnership in October 2002 as a property development partnership between Gowing Bros. and Stegland Pty Limited.

Prior to joining Gowings Property Partnership Mark was the Advisory Manager for CRI Australia and managed over $2 billion of property investments and developments. Prior to this, Mark was a Project Director for CDH Properties (now KPMG Real Estate Services).

Mark was also previously the Manager of Research and Policy for the Property Council of Australia, which is Australia's premier property industry body.

FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2004

Your Directors present their report on the consolidated entity consisting of Gowing Bros. Limited and the entities it controlled at the end of or during the year ended 31 July 2004.

Consolidated Results

	2004 $'000	2003 $'000
Operating profit for the year before income tax	5,031	8,462
Income tax expense	(974)	(879)
Operating profit after income tax	4,057	7,583

Dividends

A final LIC capital gains tax dividend of 3.5 cents per share is payable on 25 October 2004.	$1,586,176
An interim dividend of 3.5 cents per share was paid to shareholders on 23 April 2004 adjusted for shareholder participation in the Bonus in Lieu Share Plan.	$1,582,539
A final dividend of 3.5 cents per share was paid to shareholders on 24 October 2003 in accordance with last year's annual report adjusted for shareholder participation in the Bonus in Lieu Share Plan.	$1,576,835

All dividends paid were fully franked.

Review of Operations

The operations of the consolidated entity are reviewed in the 'Managing Director's Review of Operations' on pages 2 to 4.

Environment

Gowings 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 which impact upon the environment, that influence is used responsibly.

Gowings has established the Gowings Whale Trust, a trust devoted to raising funds to foster research that will lead to a healthier environment for whales and other sea creatures.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2004

Information on Directors

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

	Directors' Interests in Shares and Options of Gowing Bros. Limited	
	Shares	Options
W. A. Salier - Chairman Non-executive Bachelor of Arts, LL.B. (Sydney), LL.M. (Harvard) Director since 1975 Member of the Audit Committee Mr Salier is a solicitor with thirty-eight years experience	45,551	-
J. E. Gowing – Managing Director Executive Bachelor of Commerce Member of The Institute of Chartered Accountants in Australia Member of CPA Australia Director since 1983	8,495,114	-
M. T. Alscher Non-executive Bachelor of Commerce Director since 2000 Member of the Audit Committee Mr Alscher is an executive director of a venture capital company and former Chief Operating Officer of the company	233,986	-
J. G. Parker Non-executive Bachelor of Economics Director since 2002 Chairman of the Audit Committee Mr Parker is an executive director of a corporate advisory firm specialising in private equity	40,000	-

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2004

Remuneration Report

(i) Retirement Provisions for Directors

Apart from a shareholder approved arrangement in respect of Mr E. J. (Ted) Gowing, a former director, there is no scheme to provide retirement benefits, other than statutory superannuation and superannuation paid under salary sacrifice agreements, to non-executive Directors.

(ii) Directors' Remuneration

The remuneration of non-executive Directors is determined by the shareholders in the annual general meeting and in accordance with the Directors' remuneration provisions of the company's Constitution.

(iii) Executives' Remuneration

Executive remuneration packages involve a balance between fixed and incentive pay which is referenced to relevant employment market conditions. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the company and the performance of the individual over the period.

(iv) Staff Remuneration

Compensation arrangements for the staff are reviewed by the Managing Director with reference to relevant employment market conditions. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Managing Director with approval of the Board, having regard to the overall performance of the company and the performance of the individual over the period.

The following table discloses the remuneration of the Directors of the company for the year ended 31 July 2004:

2004	Primary				Post-employment		Equity	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits [1] $	Other [2] $	Super-annuation $	Retirement benefits $	Options $	Total $
W. A. Salier	-	-	-	-	40,000	-	-	40,000
J. E. Gowing	167,064	128,440	8,096	38,650	56,595	-	-	398,845
J. G. Parker	27,000	-	-	-	3,000	-	-	30,000
M. T. Alscher	30,000	-	-	-	-	-	-	30,000
Total	224,064	128,440	8,096	38,650	99,595	-	-	498,845

The following table discloses the remuneration of the other Senior Executive of the company for the year ended 31 July 2004:

2004	Primary				Post-employment		Equity	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits [1] $	Other [2] $	Super-annuation $	Retirement benefits $	Options $	Total $
J. S. Byers	138,840	91,743	8,096	28,224	20,752	-	-	287,655

1 Non-monetary benefits include car parking and FBT related charges.
2 Other benefits include motor vehicles and FBT related charges.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2004

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, prime commercial properties, 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 in this financial year.

Matters Subsequent to the End of the Financial Year

Subsequent to balance date Gowings Retail Limited, an equity accounted associate, made a private placement of 2.6 million shares, the effect of which reduces the shareholding of the consolidated entity from 36% to 32%.

No other matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

Meetings of Directors

There were 12 Directors' meetings and 3 meetings of the Audit Committee during the year. Attendance by each Director of the company during the financial year was:

	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
W. A. Salier	12	11	3	3
J. E. Gowing	12	12	n/a	n/a
M. T. Alscher	12	9	3	3
J. G. Parker	12	11	3	3

Shares Under Option

Unissued shares of Gowing Bros. Limited under option at the date of this report are:

Date Option Granted	Expiry Date	Issue Price of Shares $	Number Under Option
11 November 1999	10 November 2004	1.95	74,000

No option holder has the right to participate in any other share issue of the company or of any other entity.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2004

Likely Developments and Expected Results of Operations

Further information on likely developments in the operations of the consolidated entity is included in the 'Managing Director's Review of Operations' on pages 2 to 4.

Indemnification and Insurance of Directors and Officers

The company's Constitution provides an indemnity for every officer against any liability incurred in his 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 a 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.

Rounding of Amounts to Nearest Thousand Dollars

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & 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 off in accordance with that Class Order or, in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the Directors of Gowing Bros. Limited.

W. A. SALIER

Director

J. E. GOWING

Director

Sydney

23 September 2004

AUSTRALIAN STOCK EXCHANGE LISTING REQUIREMENTS

YEAR ENDED 31 JULY 2004

1. Shareholders at 3 September 2004

Range of shares	Number of Shareholders
1-1,000 Shares	420
1,001-5,000 Shares	816
5,001-10,000 Shares	276
10,001-100,000 Shares	306
Over 100,000 Shares	39
	1,857

The number of shareholdings held in less than marketable parcels is 95.

2. Voting Rights

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

3. Substantial Shareholders at 3 September 2004

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

Edward John Gowing	14,336,841	Ordinary Shares
John Edward Gowing	8,495,114	Ordinary Shares
Carlton Hotel Limited	4,273,768	Ordinary Shares
RBC Global Services Australia Nominees Pty Limited	2,405,240	Ordinary Shares

AUSTRALIAN STOCK EXCHANGE LISTING REQUIREMENTS

YEAR ENDED 31 JULY 2004

4. Top Twenty Equity Security Holders at 3 September 2004

In accordance with Australian Stock Exchange Listing Rule 4.10, the top twenty equity security holders at 3 September 2004 were as follows:

		Nº. of Ordinary Shares	% of Issued Shares
1.	Edward John Gowing	7,504,018	16.56
2.	Warwick Pty Limited	4,809,952	10.61
3.	Carlton Hotel Limited	4,273,768	9.43
4.	RBC Global Services Australia Nominees Pty Limited	2,405,240	5.31
5.	Woodside Pty Limited	2,022,871	4.46
6.	Mollie Gowing	1,774,756	3.92
7.	Dandeloo Pty Limited	1,178,614	2.60
8.	Audley Investments Pty Limited	1,063,030	2.35
9.	Appleby Pty Limited	1,045,082	2.31
10.	T N Phillips Investments Pty Limited	633,077	1.40
11.	Enbeear Pty Limited	578,936	1.28
12.	Jean Kathleen Poole-Williamson	509,348	1.12
13.	Fijolin Pty Limited	350,000	0.77
14.	J S Millner Holdings Pty Limited	313,892	0.69
15.	J P Morgan Nominees Australia Limited	288,357	0.64
16.	Washington H Soul Pattinson & Company Limited	277,736	0.61
17.	John Edward Gowing	264,000	0.58
18.	Westpac Custodian Nominees Limited	237,310	0.52
19.	QRS Investments Pty Limited	232,344	0.51
20.	Cranley Holdings Pty Limited	211,112	0.47
Total		**29,973,443**	**66.14**
Total Issued Share Capital		**45,319,322**	**100.00**

5. Corporate Governance Practices

Gowing Bros. Limited corporate governance practices are described on pages 67 to 68.

STATEMENTS OF FINANCIAL PERFORMANCE

YEAR ENDED 31 JULY 2004

		Consolidated		Parent Entity	
	Notes	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Revenue from ordinary activities	3	22,633	22,242	24,491	18,574
Cost of investments sold		(7,217)	(10,418)	(7,146)	(10,418)
Cost of property sold		(940)	(2,427)	-	-
Cost of plant and equipment sold		(54)	-	(54)	-
Employee expenses		(1,283)	(1,029)	(1,264)	(1,029)
Indirect expenses		(1,806)	(1,822)	(1,694)	(1,738)
Borrowing costs expense	4(a)	(704)	(863)	(704)	(862)
Depreciation expense	4(a)	(314)	(308)	(314)	(308)
Diminution in value of private equity investments	4(a)^	(1,855)	-	(1,855)	-
Share of net profits (losses) of associates accounted for using the equity method	37	(3,429)	3,087	-	-
Profit from ordinary activities before income tax expense		**5,031**	**8,462**	**11,460**	**4,219**
Income tax expense	5	(974)	(879)	(620)	(220)
Net profit		**4,057**	**7,583**	**10,840**	**3,999**
Net (profit) loss attributable to outside equity interest		(1)	1	-	-
Net profit attributable to members of Gowing Bros. Limited	27(b)	**4,056**	**7,584**	**10,840**	**3,999**
Basic earnings per share	42	8.97c	16.88c		
Diluted earnings per share	42	8.97c	16.88c		

^This diminution should be viewed in conjunction with net distributions of $3.99 million. See note 4(a)

The above statements of financial performance should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 JULY 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Current Assets					
Cash assets	6	3,003	11,977	2,941	11,966
Receivables	7	1,580	634	1,126	424
Investment loans	8	7,360	3,530	7,360	3,793
Tax assets	9	-	-	-	283
Other	10	218	489	218	489
Total Current Assets		**12,161**	**16,630**	**11,645**	**16,955**
Non-Current Assets					
Receivables	11	397	649	8,731	3,103
Investments accounted for using the equity method	12(a)	2,221	8,865	-	-
Other financial assets	12(b)	36,125	33,160	41,623	38,548
Investment loans	13	1,260	2,435	1,260	2,435
Development properties	14	738	293	-	-
Investment properties	15	53,854	49,953	47,850	47,091
Plant and equipment	16	2,515	2,805	2,515	2,805
Deferred tax assets	17	877	264	877	264
Other	18	29	55	29	55
Total Non-Current Assets		**98,016**	**98,479**	**102,885**	**94,301**
Total Assets		**110,177**	**115,109**	**114,530**	**111,256**
Current Liabilities					
Payables	19	1,052	3,744	662	3,742
Interest bearing liabilities	20	1,071	5,578	712	5,550
Tax liabilities	21	1,236	301	1,220	-
Total Current Liabilities		**3,359**	**9,623**	**2,594**	**9,292**
Non-Current Liabilities					
Payables	22	-	-	8,221	6,278
Interest bearing liabilities	23	10,443	10,973	10,443	10,973
Deferred tax liabilities	24	780	464	694	464
Provisions	25	62	56	62	56
Total Non-Current Liabilities		**11,285**	**11,493**	**19,420**	**17,771**
Total Liabilities		**14,644**	**21,116**	**22,014**	**27,063**
Net Assets		**95,533**	**93,993**	**92,516**	**84,193**
Equity					
Parent entity interest					
Contributed equity	26(a)	7,799	7,261	7,799	7,261
Reserves	27(a)	68,645	68,645	68,645	68,645
Retained profits	27(b)	19,089	18,088	16,072	8,287
Total parent entity interest		**95,533**	**93,994**	**92,516**	**84,193**
Outside equity interest in controlled entities	28	-	(1)	-	-
Total Equity	29	**95,533**	**93,993**	**92,516**	**84,193**

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

YEAR ENDED 31 JULY 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Cash Flows From Operating Activities					
Receipts from customers (inclusive of GST)		8,595	5,852	8,864	5,554
Payments to suppliers and employees (inclusive of GST)		(2,765)	(3,698)	(2,961)	(3,814)
Dividends received		2,232	2,033	2,232	2,033
Dividends received from associates		2,955	-	2,955	-
Interest received		1,645	419	1,636	419
Borrowing costs		(350)	(840)	(350)	(838)
Income taxes paid		(438)	(617)	(434)	291
Net Cash Inflows From Operating Activities	40	**11,874**	**3,149**	**11,942**	**3,645**
Cash Flows From Investing Activities					
Payments for purchases of plant and equipment		(77)	(244)	(77)	(244)
Payments for purchases of equity investments		(11,808)	(10,373)	(11,808)	(10,375)
Payment for purchase of property		(2,070)	(575)	(759)	(282)
Payment for investment in joint venture		-	(336)	-	-
Loans to other entities		(11,165)	(5,965)	(11,167)	(6,228)
Proceeds from sale of plant and equipment		61	-	61	-
Proceeds from sale of equity investments		7,897	10,449	7,747	10,449
Proceeds from sale of property		1,134	6,365	-	-
Cash acquired on acquisition of controlled entity	39	1	-	-	-
Loans repaid by other entities		5,730	689	5,995	653
Net Cash Inflows (Outflows) From Investing Activities		**(10,297)**	**10**	**(10,008)**	**(6,027)**
Cash Flows From Financing Activities					
Proceeds from share issues		16	1	16	-
Proceeds from borrowings		801	2,927	-	5,949
Payments for shares bought back		(193)	(641)	(193)	(641)
Repayment of lease liabilities		(589)	(588)	(589)	(588)
Repayment of borrowings		(8,413)	(2,545)	(7,977)	-
Dividends paid		(2,337)	(3,186)	(2,337)	(3,186)
Net Cash Inflows (Outflows) From Financing Activities		**(10,715)**	**(4,032)**	**(11,080)**	**1,534**
Net Increase (Decrease) in Cash Held		(9,138)	(873)	(9,146)	(848)
Cash at the beginning of the financial year		11,916	12,789	11,905	12,753
Cash at the End of the Financial Year	6	**2,778**	**11,916**	**2,759**	**11,905**
Non-cash financing activities	41				

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Gowing Bros. Limited ("company" or "parent entity") as at 31 July 2004 and the results of all controlled entities for the year then ended. Gowing Bros. Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in associates are accounted for in the consolidated financial statements using the equity method if the effect of not doing so is material. Under this method, the consolidated entity's share of the profits or losses of associates is recognised as revenue in the consolidated statement of financial performance, and its share of movements in reserves is recognised in consolidated reserves. Associates are those entities over which the consolidated entity is deemed to exercise significant influence, but not control.

Investments in joint ventures are accounted for as set out in note 38.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse. Accounting for tax consolidation regime is discussed in note 5.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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 the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(d) Revenue Recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Long Term Investments

Dividend income is recognised when receivable.

(ii) Property Rental

Rental income is recognised in accordance with the underlying rental agreements.

(iii) Land Development and Sale

Revenue is recognised when there is a signed unconditional contract of sale.

(iv) Property Construction and Sale

Contract revenue and expenses are recognised in accordance with the percentage completion method unless the outcome of the contract cannot be reliably estimated.

(e) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Land Held For Resale / Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, and development and borrowing costs during development. After development is completed borrowing costs and other holding charges are expensed as incurred. Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

(g) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. When determining recoverable amounts future cashflows are not discounted.

(h) Investments

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost, and dividend income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(a). The interest in a joint venture is accounted for as set out in note 38.

(i) Depreciation of Plant and Equipment

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 land and investment properties) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment	$3\,^{2}/_{3}$ to 100 years
Motor vehicles	$6\,^{2}/_{3}$ to 8 years

(j) Leasehold Improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased Non-Current Assets

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised and are included in the Statement of Financial Position under Interest Bearing Liabilities. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

(l) Investment Properties

Investment properties are initially recorded at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity.

Investment properties are maintained at a high standard and, as permitted by accounting standards, the properties are not depreciated.

(m) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days after the end of the month of recognition.

(n) Interest Bearing Liabilities

Bills payable are carried at their principal amounts. Discounts on the bills are recorded as part of prepayments, and recognised as expenses over the term of the bills.

(o) 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.

(p) Derivative Financial Instruments

The consolidated entity enters into interest rate swap agreements.

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in deferred expenditure or other creditors at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Joint Venture Operation

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 38.

(r) Employee Entitlements

(i) Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave are recognised in other creditors, and are measured as the amount unpaid at the reporting date in respect of employees' services up to that date at pay rates expected to be paid when the liabilities are settled.

(ii)Long Service Leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels and periods of service.

(s) 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 - refer note 1(f).

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;
- Amortisation of discounts or premiums relating to borrowings;
- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- Finance lease charges.

(t) Cash

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Earnings Per Share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(v) Rounding of Amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(w) Impact of Adopting International Financial Reporting Standards

The Australian Accounting Standards Board has issued new Australian standards based on International Financial Reporting Standards ("AIFRS"). This will be first reflected in the financial statements of Gowing Bros. Limited for the half year ending 31 January 2006.

The company has analysed the AIFRS, and the likely key changes resulting from adoption are set out below:

(i) Investment Properties

Investment Properties are to be measured at cost or fair value. If the company adopts the fair value model, investment properties will be recognised at current fair value, will not be depreciated, and changes will be recognised in the income statement. If the company adopts the cost model, investment properties will be carried at cost and will be depreciated.

(ii) Financial Instruments - Long Term Investments

The most likely accounting change is that investments in equity securities will be measured at fair value, with changes in fair value recognised directly in equity. On realisation such amounts will be included in net profit.

(iii) Income Tax

Under AIFRS, the company will be required to recognise an additional tax asset or liability for the deferred tax effect of measuring the assets at other than cost. The tax expense or credit will be reflected either in the income statement or directly in equity.

2. SEGMENT INFORMATION

Business segments

The consolidated entity is organised into the following divisions by product and service type:

Property operations

The property segment includes the ownership and leasing of commercial properties and the development and sale of both residential and commercial properties.

Investments

The investment segment invests in products listed on the Australian Stock Exchange, in private equity vehicles, and loans, including mezzanine finance arrangements.

Geographical segments

The consolidated entity operates only in Australia.

	Property Operations $'000	Investments $'000	Intersegment Eliminations $'000	Consolidated $'000
Business Segments - 2004				
Revenue from outside the consolidated entity	6,543	16,090	-	22,633
Intersegment revenue	44	-	(44)	-
Total revenue	6,587	16,090	(44)	22,633
Share of net profits (losses) of associates	58	(3,487)	-	(3,429)
Total segment revenue	**6,645**	**12,603**	**(44)**	**19,204**
Segment result	3,344	1,687	-	5,031
Income tax expense				(974)
Net profit				**4,057**
Segment assets	58,185	51,115	-	109,300
Unallocated assets				877
Total assets				**110,177**
Segment liabilities	12,203	526	-	12,729
Unallocated liabilities				1,915
Total liabilities				**14,644**
Investments in associates (note 2c)	-	2,221	-	2,221
Acquisition of property, plant and equipment, & other non-current segment assets	5,405	11,897	-	17,302
Depreciation expense	280	34	-	314
Profit on sale of property	843	-	-	843

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Property Operations $'000	Investments $'000	Intersegment Eliminations $'000	Consolidated $'000
2. SEGMENT INFORMATION (continued)				
Business Segments - 2003				
Revenue from outside the consolidated entity	8,273	13,969	-	22,242
Intersegment revenue	42	-	(42)	-
Total revenue	8,315	13,969	(42)	22,242
Share of net profits of associate	3,057	30	-	3,087
Total segment revenue	**11,372**	**13,999**	**(42)**	**25,329**
Segment result	5,948	2,514	-	8,462
Income tax expense				(879)
Net profit				**7,583**
Segment assets	56,704	58,141	-	114,845
Unallocated assets				264
Total assets				**115,109**
Segment liabilities	17,193	3,158	-	20,351
Unallocated liabilities				765
Total liabilities				**21,116**
Investments in associates (note 2c)	3,157	5,708	-	8,865
Acquisition of property, plant and equipment, & other non-current segment assets	801	10,438	-	11,239
Depreciation expense	274	34	-	308
Profit on sale of property	1,597	-	-	1,597

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and the revised segment reporting accounting standard AASB 1005: Segment Reporting.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

2. SEGMENT INFORMATION (continued)

Segment assets include all assets used by a segment and consist primarily of operating cash, investment loans, investments, investment 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 primarily of borrowings, trade and other creditors and employee entitlements. Segment assets and liabilities do not include income taxes.

(b) Intersegment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

(c) Equity accounted investments

The consolidated entity owns 36% of Gowings Retail Limited, a retail company which is accounted for using the equity method and is allocated to the investment segment.

The consolidated entity held two non-traded investments in associates for part of the year that were accounted for using the equity method. These investments, Bayview Heights Estate Pty Limited and Healesville Holdings Pty Limited, are included in the property segment.

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
3. REVENUE				
Revenue From Operating Activities				
Proceeds on sale of long term investments	7,897	10,449	7,747	10,449
Proceeds on sale of property	1,784	4,024	-	-
Proceeds on sale of plant and equipment	61	-	61	-
Interest	1,734	944	1,724	944
Dividends	2,291	2,106	6,537	2,756
Rent	3,817	3,503	3,817	3,493
Other investment income	4,566	811	4,121	527
Other property income	428	364	428	364
Other income	55	41	56	41
Revenue from ordinary activities (excluding equity accounted net profits (losses) of associates)	**22,633**	**22,242**	**24,491**	**18,574**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
4. OPERATING PROFIT				
(a) Net Gains and Expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains				
Net gain on disposal				
Investments	680	31	601	31
Property, plant and equipment	850	1,597	7	-
Expenses				
Depreciation	314	308	314	308
Bad and doubtful debts - trade debtors	4	14	4	14
Borrowing costs expense	704	863	704	862
Provision for employee entitlements	6	7	6	7
(b) Individually Significant Items				
Private equity investment distributions	3,990	148	3,990	148
Diminution in value of private equity investments	(1,855)	-	(1,855)	-
Share of net profit (loss) of associate (Gowings Retail Limited)	(3,487)	30	-	-
Profit on sale of investments	680	31	601	31
Profit on sale of Ingleside property	-	316	-	-
Share of net profit of associate (Healesville Holdings Pty Limited: Burrawang Ridge Estate property)	13	2,809	-	-
Profit on sale of interest in joint venture (Waterloo property)	-	1,281	-	-
Share of net profit of associate (Bayview Heights Estate Pty Limited)	45	248	-	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
5. INCOME TAX				
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	5,031	8,462	11,460	4,219
Prima facie tax expense on the net profit at 30%	1,509	2,539	3,438	1,266
Tax effect of permanent differences:				
Share of net (profit) loss of Gowings Retail Limited accounted for using the equity method	1,046	(9)	-	-
Non-assessable income	(841)	(972)	(798)	(431)
Non-deductible expenses	7	28	7	14
Franked dividends	(717)	(664)	(1,987)	(664)
(Over) under provision in prior year	(30)	(43)	(30)	35
Losses transferred from subsidiaries	-	-	(10)	-
Income tax expense	**974**	**879**	**620**	**220**

Tax Consolidation

Gowing Bros. Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 August 2002.

As a consequence, Gowing Bros. Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
6. CURRENT ASSETS - CASH ASSETS				
Cash at bank and on hand	164	101	102	90
Deposits at call	2,839	11,876	2,839	11,876
	3,003	**11,977**	**2,941**	**11,966**
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
Balances as above	3,003	11,977	2,941	11,966
Less: Bank overdrafts (note 20)	(225)	(61)	(182)	(61)
Balances per statement of cash flows	**2,778**	**11,916**	**2,759**	**11,905**

The deposits at call bear floating interest rates of up to 5.15% (2003: 4.65%).

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
7. CURRENT ASSETS - RECEIVABLES				
Trade debtors	74	82	74	82
Less: Provision for doubtful debts	(14)	(31)	(14)	(31)
	60	51	60	51
Other debtors	1,520	450	713	240
Associated company	-	133	-	133
Tax related receivable from wholly owned entity and joint venture	-	-	353	-
	1,580	**634**	**1,126**	**424**

Other Debtors
Other debtors includes interest on mezzanine finance transactions, a receivable from Bergow Unit Trust and monies due on contracts for sale exchanged but not settled from the Bunya Pines Estate Joint Venture.

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
8. CURRENT ASSETS - INVESTMENT LOANS				
Bayview Heights Estate Pty Limited	-	2,411	-	2,411
Bunya Pines Estate Joint Venture	-	264	-	527
Mezzanine loans	7,360	705	7,360	705
Crescent Capital – Bill of Exchange	-	150	-	150
	7,360	**3,530**	**7,360**	**3,793**
9. CURRENT ASSETS - TAX ASSETS				
Tax related receivable	**-**	**-**	**-**	**283**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
10. CURRENT ASSETS - OTHER				
Prepayments	192	464	192	464
Deferred expenditure	26	25	26	25
	218	**489**	**218**	**489**
11. NON-CURRENT ASSETS - RECEIVABLES				
Loans to controlled entities	-	-	8,334	2,454
Interest receivable	43	237	43	237
Loans to directors and director-related entities	313	326	313	326
Other loans	41	86	41	86
	397	**649**	**8,731**	**3,103**

Information relating to loans to related parties and directors is set out in note 36.

12. EQUITY INVESTMENTS

(a) Non-current Assets – Investments Accounted for Using the Equity Method

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Shares in associates	**2,221**	**8,865**	**-**	**-**

Shares in associates
Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (see note 37).

(b) Non-current Assets - Other Financial Assets

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Listed Securities				
Shares - at cost	31,705	26,560	31,705	26,560
Shares in associates – at cost	-	-	5,496	5,286
Preference shares – at cost	543	778	543	778
	32,248	**27,338**	**37,744**	**32,624**
Unlisted Securities				
Controlled entities – at cost	-	-	2	2
Associates – at cost	-	-	-	100
Private equity – at cost or valuation	3,877	5,822	3,877	5,822
	3,877	**5,822**	**3,879**	**5,924**
	36,125	**33,160**	**41,623**	**38,548**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
12. EQUITY INVESTMENTS (continued)				
(c) **Market Value at Balance Date – Listed Securities**				
Shares	61,121	48,245	61,121	48,245
Shares in associates	2,205	2,870	2,205	2,870
Preference shares	565	1,073	565	1,073
	63,891	**52,188**	**63,891**	**52,188**
13. NON-CURRENT ASSETS – INVESTMENT LOANS				
Mezzanine loans	1,260	1,730	1,260	1,730
Gowings Property Development Fund	-	705	-	705
	1,260	**2,435**	**1,260**	**2,435**
14. NON-CURRENT ASSETS – DEVELOPMENT PROPERTIES				
Bunya Pines Estate Joint Venture	**738**	**293**	-	-
15. NON-CURRENT ASSETS – INVESTMENT PROPERTIES				
Land and Buildings				
At cost/written down value	**53,854**	**49,953**	**47,850**	**47,091**

	Consolidated		Consolidated	
	2004 Book Value $'000	2004 Market Value $'000	2003 Book Value $'000	2003 Market Value $'000
Consists of the following property:				
Gowings Market Street building	46,491	50,000	46,491	50,000
Clarence Street carpark spaces (6)	282	282	282	282
Norton Street, Leichhardt land and building	2,790	4,725	2,862	4,875
Forster land and building	318	350	318	350
Bayview Heights Estate land	3,323	3,323	-	-
Heatherbrae land	650	650	-	-
	53,854	**59,330**	**49,953**	**55,507**

The market values shown above are based on Directors' assessments of market value at 31 July 2003 with the exception of additions during the year which equate to cost.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
15. NON-CURRENT ASSETS - INVESTMENT PROPERTIES (continued)				
Movements in Investment Properties				
Balance at beginning of year	49,953	54,821	47,091	47,561
Acquisition of property	3,973	283	759	283
Sale of trust units	(72)	-	-	-
Sale of Waterloo and Ingleside properties	-	(4,431)	-	-
Repayment of loan	-	(689)	-	(653)
Transfer from current receivables	-	69	-	-
Transfer from (to) investment in associates	-	(100)	-	(100)
Balance at end of year	**53,854**	**49,953**	**47,850**	**47,091**

Leasing Arrangements - Investment Properties

Gowings Market Street building and Clarence Street car park spaces are leased to tenants on operating leases with terms of varying length and rentals receivable monthly.

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Within one year	3,866	4,560	3,650	4,212
Later than one but not later than 5 years	11,459	15,581	11,445	14,193
Later than 5 years	5,465	10,488	5,465	10,488
	20,790	**30,629**	**20,560**	**28,893**

16. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
At cost	3,964	3,967	3,964	3,967
Less: Accumulated depreciation	(1,449)	(1,162)	(1,449)	(1,162)
	2,515	**2,805**	**2,515**	**2,805**

Reconciliations

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial year are set out below:

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Carrying amount at start of year	2,805	2,881	2,805	2,881
Additions	77	244	77	244
Disposals	(53)	(12)	(53)	(12)
Depreciation expense (note 4a)	(314)	(308)	(314)	(308)
Carrying amount at year end	**2,515**	**2,805**	**2,515**	**2,805**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
17. NON-CURRENT ASSETS - DEFERRED TAX ASSETS				
Future income tax benefit	**877**	**264**	**877**	**264**
18. NON-CURRENT ASSETS - OTHER				
Deferred expenditure	**29**	**55**	**29**	**55**
19. CURRENT LIABILITIES - PAYABLES				
Trade creditors	59	180	59	172
Payables to associates	-	3,065	-	3,065
Other creditors and accruals	993	499	603	505
	1,052	**3,744**	**662**	**3,742**
20. CURRENT LIABILITIES - INTEREST BEARING LIABILITIES				
Bank overdrafts	225	61	182	61
Bill payable	-	5,000	-	5,000
Share of joint venture bill payable	316	28	-	-
Lease liabilities (secured) (note 34)	530	489	530	489
	1,071	**5,578**	**712**	**5,550**
21. CURRENT LIABILITIES - TAX LIABILITIES				
Income tax	**1,236**	**301**	**1,220**	-
22. NON-CURRENT LIABILITIES - PAYABLES				
Loans from controlled entities	-	-	**8,221**	**6,278**
23. NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES				
Lease liabilities (secured) (note 34)	443	973	443	973
Bill payable	10,000	10,000	10,000	10,000
	10,443	**10,973**	**10,443**	**10,973**

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The entity has entered into a rolling bank bill facility expiring on 30 September 2006 with varying rollover periods varying from 30 to 180 days. The bills are discounted at rates determined from market rates at the time the bills are drawn. The bank requires the company to meet certain financial ratios in relation to the consolidated entity. At balance date the entity complied with these requirements.

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
23. NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES (continued)				
Financing Arrangements				
Unrestricted access was available at balance date to the following lines of credit:				
Total facilities				
Bank overdrafts	1,040	1,000	1,000	1,000
Unsecured bill acceptance facility	10,000	15,000	10,000	15,000
Secured bill facilities	1,088	474	-	-
	12,128	**16,474**	**11,000**	**16,000**
Used at balance date				
Bank overdrafts	225	61	182	61
Unsecured bill acceptance facility	10,000	15,000	10,000	15,000
Secured bill facilities	316	28	-	-
	10,541	**15,089**	**10,182**	**15,061**
Unused at balance date				
Bank overdrafts	815	939	818	939
Unsecured bill acceptance facility	-	-	-	-
Secured bill facilities	772	446	-	-
	1,587	**1,385**	**818**	**939**

The interest rates at balance date were 8.70% on the bank overdrafts (2003: 8.20%), 5.55% on the unsecured bill acceptance facility (2003: 4.67%) and up to 6.76% on the secured bill facilities (2003: 6.15%).

24. NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

Provision for deferred income tax	**780**	**464**	**694**	**464**

25. NON-CURRENT LIABILITIES - PROVISIONS

Employee entitlements	**62**	**56**	**62**	**56**

	Parent Entity		Parent Entity	
	2004 Shares	2003 Shares	2004 $'000	2003 $'000
26. CONTRIBUTED EQUITY				
(a) Share capital				
Ordinary shares fully paid	**45,319,322**	**45,052,508**	**7,799**	**7,261**

(b) Movements in ordinary share capital

Date	Details	Notes	Number of Shares	Issue Price	$'000
31/07/2003	Balance		45,052,508		7,261
19/09/2003	Ordinary shares cancelled	(c)	(127)		-
24/10/2003	Dividend reinvestment plan issue	(d)	148,480	$2.40	357
24/10/2003	Bonus in lieu issues	(e)	21,467		-
29/02/2004	Options exercised	(f)	5,000	$1.95	10
05/04/2004	Ordinary shares cancelled	(c)	(2,000)		(3)
06/04/2004	On-market share buy back	(g)	(14,000)		(33)
23/04/2004	Dividend reinvestment plan issue	(d)	150,538	$2.40	361
23/04/2004	Bonus in lieu issues	(e)	22,158		-
27/04/2004	On-market share buy back	(g)	(3,069)		(7)
11/05/2004	Options exercised	(f)	3,000	$1.95	6
18/05/2004	On-market share buy back	(g)	(4,409)		(10)
25/05/2004	On-market share buy back	(g)	(6,500)		(16)
25/05/2004	On-market share buy back	(g)	(5,000)		(12)
01/06/2004	On-market share buy back	(g)	(48,724)		(115)
31/07/2004	**Balance**		**45,319,322**		**7,799**

(c) 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.

26. CONTRIBUTED EQUITY (continued)

(d) Dividend Reinvestment Plan

The company's Constitution permits members to elect not to receive all or part of their proposed dividend entitlements and be allotted ordinary shares in lieu thereof. Such shares are issued at market price.

(e) Bonus in Lieu Plan

The company's Constitution permits members to forego all or part of their proposed dividend entitlements and be allotted ordinary shares in lieu thereof. Such shares are issued at market price. The Directors have chosen to temporarily suspend the operation of the bonus in lieu plan for the final dividend payable on 25 October 2004 because of the special characteristics of the dividend.

(f) Options

Options to take up ordinary shares in the capital of the company have been granted as follows:

Gowing Bros. Employees Share and Option Plan

On 11 November 1999 202,000 options were granted for consideration of $0.01 each under the Gowing Bros. Employees Share and Option Plan to 44 eligible employees of Gowing Bros. Limited and its controlled entities. Each option is convertible into one ordinary share at any time between 11 November 2002 and 10 November 2004 at a fixed price of $1.95 per share. The number of unissued ordinary shares under these options at 31 July 2004 is 74,000 (2003: 117,000).

All unissued shares under options issued pursuant to the Gowing Bros. Employees Share and Option Plan are adjustable for capital reconstruction or bonus rights issues. Early exercise or extinguishment of options may result in the event of a take over or the termination of employment, retirement or death of the holder.

(g) On-Market Share Buy Back

Throughout the year the company purchased on-market and cancelled shares as part of the company's ongoing capital management program.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
27. RESERVES AND RETAINED PROFITS				
(a) **Reserves**				
Asset revaluation reserve	25,965	25,965	25,965	25,965
General reserve	10,010	10,010	10,010	10,010
Capital profits reserve	32,670	32,670	32,670	32,670
	68,645	**68,645**	**68,645**	**68,645**
Movements				
Asset revaluation reserve Opening balance	25,965	26,111	25,965	25,965
Transfer to retained profits	-	(146)	-	-
Closing balance	**25,965**	**25,965**	**25,965**	**25,965**
General reserve Opening balance	10,010	10,010	10,010	10,010
Increase (decrease) in reserves	-	-	-	-
Closing balance	**10,010**	**10,010**	**10,010**	**10,010**
Capital profits reserve Opening balance	32,670	32,670	32,670	32,670
Increase (decrease) in reserves	-	-	-	-
Closing balance	**32,670**	**32,670**	**32,670**	**32,670**
(b) **Retained Profits**				
Retained profits at the beginning of the financial year	18,088	14,439	8,287	8,369
Net profit attributable to members of Gowing Bros. Limited	4,056	7,584	10,840	3,999
Dividends provided for or paid	(3,055)	(4,081)	(3,055)	(4,081)
Aggregate of amounts transferred from reserves	-	146	-	-
Retained profits at the end of the financial year	**19,089**	**18,088**	**16,072**	**8,287**

(c) **Nature and Purpose of Asset Revaluation Reserve**

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
28. OUTSIDE EQUITY INTERESTS				
Interest in				
Contributed equity	-	-	-	-
Retained profits (losses)	-	(1)	-	-
	-	(1)	-	-
29. EQUITY				
Total equity at the beginning of the financial year	93,993	90,237	84,193	84,021
Total changes in equity recognised in the statement of financial performance	4,056	7,584	10,840	3,999
Prior year Dividend of 3.5c fully franked	(1,577)	(1,563)	(1,577)	(1,563)
Prior year Dividend satisfied by issue of shares under Dividend Reinvestment Plan and Bonus in Lieu Plan	408	452	408	452
LIC Capital Gain Dividend of 3.5c fully franked	-	(1,569)	-	(1,569)
LIC Dividend satisfied by issue of shares under Dividend Reinvestment Plan and Bonus in Lieu Plan	-	459	-	459
Interim Dividend of 3.5c fully franked (2003: 3.0c fully franked)	(1,583)	(1,351)	(1,583)	(1,351)
Interim Dividend satisfied by issue of shares under Dividend Reinvestment Plan and Bonus in Lieu Plan	415	386	415	386
On-market share buy backs	(193)	(641)	(193)	(641)
Ordinary share options exercised under ESS	16	-	16	-
Ordinary shares cancelled	(3)	-	(3)	-
Total changes in outside equity interest	1	(1)	-	-
Total equity at the end of the financial year	**95,533**	**93,993**	**92,516**	**84,193**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Parent Entity	
	2004 $'000	2003 $'000
30. DIVIDENDS		
Ordinary Shares		
2003 final dividend of 3.5 cents per fully paid share Franked at 30% (2002: 3.5 cents)	1,577	1,563
Special LIC Capital Gain dividend of 3.5 cents per fully paid share Franked at 30%	-	1,569
Interim dividend of 3.5 cents (2003: 3.0 cents) per fully paid share Franked at 30% (2003: 30%)	1,583	1,351
Less satisfied by bonus in lieu plan	(105)	(402)
Total dividends declared	**3,055**	**4,081**
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan		
Paid in cash	2,337	3,186
Satisfied by issue of shares	718	895
	3,055	**4,081**

Dividends declared after year end
In addition to the above dividends, subsequent to year end the directors have recommended the payment of a final dividend of 3.5 cents per ordinary share, fully franked based on tax paid at 30% to be paid as an LIC capital gains tax dividend. The maximum amount of the proposed dividend expected to be paid on 25 October 2004 out of retained profits at 31 July 2004, but not recognised as a liability at year end, is $1,586,176 (2003: $1,576,838).

Franked Dividends
The franked portions of the final dividends declared after 31 July 2004 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 July 2005.

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Franking credits available for subsequent financial years (tax paid basis)	**9,653**	**7,992**	**8,890**	**7,989**

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

31. FINANCIAL INSTRUMENTS

(a) Accounting policies

The consolidated entity's accounting policies with respect to financial instruments are set out in note 1.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities are as follows:

	Floating interest rate $'000	Fixed interest maturing in 1 year or less $'000	Fixed interest maturing in 1-5 years $'000	Non-interest bearing $'000	Total $'000
2004					
Financial assets					
Cash and deposits	3,002	-	-	1	3,003
Receivables	-	-	313	1,664	1,977
Investment loans	-	7,360	1,260	-	8,620
Other financial assets	-	-	-	67,777	67,777
	3,002	**7,360**	**1,573**	**69,442**	**81,377**
Weighted average interest rate	5.06%	17.18%	17.76%		
Financial Liabilities					
Payables	-	6	-	1,102	1,108
Bank overdrafts	225	-	-	-	225
Lease liabilities	-	530	443	-	973
Commercial bills	-	10,000	-	-	10,000
Market rate facilities	316	-	-	-	316
	541	**10,536**	**443**	**1,102**	**12,622**
Weighted average interest rate	7.70%	5.69%	8.04%		
Net financial assets (liabilities)	**2,461**	**(3,176)**	**1,130**	**68,340**	**68,755**

	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Fixed interest maturing in: 1-5 years $'000	Non-interest bearing $'000	Total $'000
31. FINANCIAL INSTRUMENTS (continued)					
2003					
Financial assets					
Cash and deposits	11,976	-	-	1	11,977
Receivables	-	-	326	957	1,283
Investment loans	-	3,266	2,435	264	5,965
Other financial assets	-	-	-	61,804	61,804
	11,976	**3,266**	**2,761**	**63,026**	**81,029**
Weighted average interest rate	4.62%	13.10%	19.03%		
Financial liabilities					
Payables	-	20	-	3,772	3,792
Bank overdrafts	61	-	-	-	61
Lease liabilities	-	489	973	-	1,462
Commercial bills	15,000	-	-	-	15,000
Market rate facilities	28	-	-	-	28
	15,089	**509**	**973**	**3,772**	**20,343**
Weighted average interest rate	4.69%	7.92%	8.04%		
Net financial assets (liabilities)	**(3,113)**	**2,757**	**1,788**	**59,254**	**60,686**

(c) Off balance sheet financial assets and liabilities

The consolidated entity has no off balance sheet financial assets or liabilities.

(d) Credit risk exposures

The consolidated entity's maximum exposure to credit risk at the balance date in relation to each class of recognised financial asset is the carrying amount of those assets in the balance sheet.

(e) Net fair value of financial assets and liabilities

With the exception of "other financial assets", the net fair value of financial assets and liabilities of the consolidated entity approximates their carrying value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

32. REMUNERATION OF DIRECTORS AND EXECUTIVE

(i) Retirement Provisions for Directors

Apart from a shareholder approved arrangement in respect of Mr E. J. (Ted) Gowing, a former director, there is no scheme to provide retirement benefits, other than statutory superannuation and superannuation paid under salary sacrifice agreements, to non-executive Directors.

(ii) Directors' Remuneration

The remuneration of non-executive Directors is determined by the shareholders in the annual general meeting and in accordance with the Directors' remuneration provisions of the company's Constitution.

(iii) Executives' Remuneration

Executive remuneration packages involve a balance between fixed and incentive pay which is referenced to relevant employment market conditions. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the company and the performance of the individual over the period.

(iv) Staff Remuneration

Compensation arrangements for the staff are reviewed by the Managing Director with reference to relevant employment market conditions. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Managing Director with approval of the Board, having regard to the overall performance of the company and the performance of the individual over the period.

The following table discloses the remuneration of the Directors of the company for the year ended 31 July 2004:

2004	Primary				Post-employment		Equity	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits [1] $	Other [2] $	Super-annuation $	Retirement benefits $	Options $	Total $
W. A. Salier	-	-	-		40,000	-	-	40,000
J. E. Gowing	167,064	128,440	8,096	38,650	56,595	-	-	398,845
J. G. Parker	27,000	-	-	-	3,000	-	-	30,000
M. T. Alscher	30,000	-	-	-	-	-	-	30,000
Total	224,064	128,440	8,096	38,650	99,595	-	-	498,845

The following table discloses the remuneration of the other Senior Executive of the company for the year ended 31 July 2004:

2004	Primary				Post-employment		Equity	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits [1] $	Other [2] $	Super-annuation $	Retirement benefits $	Options $	Total $
J. S. Byers	138,840	91,743	8,096	28,224	20,752	-	-	287,655

1 Non-monetary benefits include car parking and FBT related charges.

2 Other benefits include motor vehicles and FBT related charges.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
33. REMUNERATION OF AUDITORS				
Audit and review of the entity or any entity in the consolidated entity	54	54	54	54
In relation to sale of businesses	-	18	-	18
Tax and other advisory services	60	103	60	103
	114	**175**	**114**	**175**

34. COMMITMENTS FOR EXPENDITURE

Capital Commitments

(a) Macquarie Investment Trust IIIA

The parent entity has a commitment of $250,000 for uncalled capital contribution for the Macquarie Investment Trust IIIA.

(b) Innovation Capital Limited

The parent entity has a commitment for uncalled capital for Innovation Capital Limited of $105,000.

(c) Crescent Capital Partners Growth Fund

The parent entity has a commitment to further invest $708,750 in the Crescent Capital Partners Growth Fund when called.

(d) Crescent Capital Partners II Limited Partnership

The parent entity has a commitment to further invest $3,780,000 in the Crescent Capital Partners II Limited Partnership when called.

(e) Gowings Property Development Fund

The parent entity has a commitment to further invest $1,679,999 in the Gowings Property Development Fund when called.

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Finance Leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	589	589	589	589
Later than one year but not later than 5 years	454	1,043	454	1,043
Minimum lease payments	**1,043**	**1,632**	**1,043**	**1,632**
Less: Future finance charges	(70)	(170)	(70)	(170)
Total lease liabilities	**973**	**1,462**	**973**	**1,462**
Representing lease liabilities:				
Current (note 20)	530	489	530	489
Non-current (note 23)	443	973	443	973
	973	**1,462**	**973**	**1,462**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
35. EMPLOYEE ENTITLEMENTS				
Employee Entitlement Liabilities				
Provision for employee entitlements (note 25)	62	56	62	56
Accrual for annual leave	47	26	47	26
Other payables	250	100	250	100
Employee numbers	No.	No.	No.	No.
Number of employees at 31 July	9	6	8	6

36. RELATED PARTIES

Directors

The names of persons who were directors of Gowing Bros. Limited at any time during the financial year were Messrs W. A. Salier, J. E. Gowing, M. T. Alscher and J. G. Parker.

All of these persons were also directors during the year ended 31 July 2003.

Remuneration

Information on remuneration of directors is disclosed in note 32.

Shares

All shares were held beneficially by the directors.

Director	Shares Held as at 31 July 2003 No.	Shares Acquired/ (Disposed) During the Year No.	Shares held as at 31 July 2004 No.
W. A. Salier	44,251	1,300	45,551
J. E. Gowing	8,462,002	33,112	8,495,114
M. T. Alscher	225,635	8,351	233,986
J. G. Parker	40,000	-	40,000

Loan to Directors and Director-Related Entities

Loan to directors of entities in the consolidated entity and their director-related entities disclosed in note 11 comprise:

	Consolidated		Parent Entity	
	2004 $	2003 $	2004 $	2003 $
Secured loan	**313,292**	**326,037**	**313,292**	**326,037**
Loan repayments received QRS Investments Pty Limited	34,700	30,000	34,700	30,000
Interest charged QRS Investments Pty Limited	21,955	21,812	21,955	21,812

36. RELATED PARTIES (continued)

Interest is charged on the balance of the secured loan at a rate of 6.86% (2003: 6.86%). The loan was made to QRS Investments Pty Limited (formerly Blu Sky Pty Limited), a related entity to M. T. Alscher, who at the time was an executive of Gowing Bros. Limited prior to his becoming a director. The loan was made in order for the director to participate in the Gowing Bros. Employees Share and Option Plan. The loan is effectively secured as the title to the shares reverts to Gowing Bros. Limited in the event of default.

Other transactions with directors and director-related entities and executives:

(a) Messrs Pigott Stinson Ratner Thom Solicitors

Transactions with related parties included normal professional fees of $3,059 (2003: $62,084) paid during the current financial year to Messrs Pigott Stinson Ratner Thom Solicitors, of which Mr W. A. Salier is a Partner, for legal services.

(b) Crescent Capital Partners Limited and Crescent Capital Partners Management Pty Ltd.

Mr M. T. Alscher is an executive director and Mr J. E. Gowing is a non-executive director of Crescent Capital Partners Limited and Crescent Capital Partners Management Pty Limited. Both aforementioned directors are shareholders of both companies. Crescent Capital Partners Limited manages Crescent Capital Partners Growth Fund. Crescent Capital Partners Management Pty Limited manages Crescent Capital Partners II Limited Partnership. The parent entity holds 500,000 (2003: 500,000) ordinary shares in Crescent Capital Partners Limited. The parent entity has committed $2,625,000 (2003: $2,625,000) to the Crescent Capital Partners Growth Fund. At balance date $1,916,250 (2003: $1,456,875) has been invested. The parent entity holds 817,810 (2003: nil) ordinary shares in Crescent Capital Partners Management Pty Limited. The parent entity has committed $4,000,000 (2003: nil) to the Crescent Capital Partners II Limited Partnership. At balance date $220,000 (2003: nil) has been invested.

Interest revenue received from Bill of Exchange and charged on commercial terms $1,697 (2003: $6,393). The Bill was repaid in full during the year (2003: $150,000).

(c) York Corporate Advisory Pty Limited

During the year no services were provided by York Corporate Advisory Limited to the parent entity (2003: $11,100). Mr M. T. Alscher is a director and shareholder of York Corporate Advisory Pty Limited.

(d) QRS Investments Pty Limited

During the year Gowing Bros. Limited paid QRS Investments Pty Limited, formerly Blu Sky Pty Limited, $30,000 (plus the applicable GST) for services rendered by M. T. Alscher in his capacity as a director of Gowing Bros. Limited. These payments were applied against the loan provided to QRS Investments Pty Limited.

(e) Former Director

During the year benefits provided to a former Director, Mr E. J. Gowing, totalled $9,756 (2003: $7,173).

(f) Other transactions with Executive

During the year Mr J. S. Byers, a Senior Executive of the company, acquired with Board consent two blocks of land at market rates from the Bunya Pines Estate Joint Venture for a consideration of $153,600.

(g) Creative License Pty Limited

A director-related entity of John Gowing. During the year the company paid fees amounting to $17,262 (2003: $7,405) to Creative License for services rendered in production of the company's printed documentation. All fees charged were on a commercial basis.

36. RELATED PARTIES (continued)

Controlled Entities

Ownership interests in controlled entities are set out in note 39.

Transactions between Gowing Bros. Limited and other entities in the group during the years ended 31 July 2004 and 2003 consisted of:

(a) loans advanced by Gowing Bros. Limited

(b) loans repaid to Gowing Bros. Limited

(c) dividends received from controlled entities $1,081,331 (2003: $650,000)

There are no fixed terms for the repayment of principal and no interest charged on loans advanced by Gowing Bros. Limited.

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Other Related Parties				
Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with each class of other related parties:				
Associates:				
Rent revenue	2,368	2,272	2,368	2,272
Interest revenue	9	133	9	133

37. INVESTMENTS IN ASSOCIATES

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (note 12(a)) and are carried at cost by the parent entity (note 12(b)).

Information relating to the associates is set out below:

Name of company	Principal Activity	Ownership interest		Consolidated carrying amount		Parent entity carrying amount	
		2004 %	2003 %	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Traded on organised markets:							
Gowings Retail Limited	Retail	36	35	2,221	5,708	5,496	5,286
Non-traded:							
Healesville Holdings Pty Limited*	Long-term property investor	-	$33^{1}/_{3}$	-	2,909	-	100
Bayview Heights Estate Pty Limited**	Property owner	-	$33^{1}/_{3}$	-	248	-	-
				2,221	**8,865**	**5,496**	**5,386**

*Healesville Holdings Pty Limited was an equity accounted associate until 13/04/04 when it was liquidated.

** Bayview Heights Estate Pty Limited was an equity accounted associate until 5/01/04 and subsequently became a controlled entity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

Name of company	Balance at 31 July 2003 $'000	Advances/ (Repayments) During Year $'000	Interest Charged During Year $'000	Non-cash Transfer* $'000	Balance at 31 July 2004 $'000
37. INVESTMENTS IN ASSOCIATES (continued)					
Loans to (from) Associates					
Bayview Heights Estate Pty Limited	2,544	368	9	(2,921)	-
Healesville Holdings Pty Limited	(2,899)	2,899	-	-	-

* Transfer upon consolidation as a controlled entity

	Consolidated 2004 $'000	Consolidated 2003 $'000
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the year	**8,865**	**5,678**
Share of operating profits (losses) after income tax	(3,429)	3,087
Dividend received	(3,165)	-
Shares acquired in Gowings Retail Limited	210	-
Bayview Heights Estate now a controlled entity	(160)	-
Investment in Healesville surrendered on liquidation	(100)	-
Transfer of investment in Healesville (to) from investment property	-	100
Carrying amount at the end of the year	**2,221**	**8,865**
Results attributable to associates		
Operating profits (losses) before income tax	(3,410)	3,206
Income tax expense	(19)	(119)
Operating profits (losses) after income tax	**(3,429)**	**3,087**
Retained profits attributable to associates at the beginning of the year	3,479	392
Retained profits attributable to associates at the end of the year	**50**	**3,479**

Share of operating profits (losses) after income tax of associated companies includes the result for Gowings Retail Limited for the six months ended 1 February 2004. Results for the six months to 2 August 2004 have not been announced by that company.

38. INTERESTS IN JOINT VENTURES

Joint venture operation

A controlled entity, Gowings Kempsey Pty Limited, has entered into a joint venture operation named Bunya Pines Estate Joint Venture for land sub-division and development. The controlled entity has a 50% participating interest in this joint venture and is entitled to 50% of its output. The consolidated entity's interests in the assets employed in the joint venture are included in the consolidated statement of financial position, in accordance with the accounting policy described in note 1(q), under the following classifications:

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Current assets				
Cash	56	6	-	-
Other	762	2	-	-
Total current assets	**818**	**8**	**-**	**-**
Non-current assets				
Development properties	738	293	-	-
Total non-current assets	738	293	-	-
Share of assets employed in joint venture	**1,556**	**301**	**-**	**-**

Gowing Bros. Limited has provided a conditional limited interest shortfall guarantee to the extent of its 50% interest in the joint venture in respect of a bank loan facility for stage two of the joint venture. The bank loan is in all other respects a loan with recourse only to the joint venture assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Country of Incorporation	Class of Share	Equity Holding 2004 %	Equity Holding 2003 %
39. INVESTMENTS IN CONTROLLED ENTITIES				
Parent company				
Gowing Bros. Limited				
Controlled entities				
Reysharn Pty Limited	Australia	Ordinary	100	100
Toes on the Nose Pty Limited	Australia	Ordinary	100	100
Gowings Dank St Pty Limited	Australia	Ordinary	100	100
Laurelco Pty Limited	Australia	Ordinary	100	100
Gowings Leichhardt Pty Limited	Australia	Ordinary	100	100
Bayview Heights Estate Pty Limited	Australia	Ordinary	100	-
Gowings Properties Pty Limited	Australia	Ordinary	50	50
Gowings Kempsey Pty Limited	Australia	Ordinary	100	100

Bayview Heights Estate Pty Limited was an associate in 2003 and became a controlled entity on 5 January 2004. Details of the acquisition are as follows:

	$'000
Fair value of identifiable net assets of Bayview Heights Estate acquired	
Cash	1
Receivables	3
Land	2,996
Creditors	(35)
Tax liabilities	(16)
Loans from related entities	(2,921)
Net assets	**28**

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
(Outflow) inflow of cash on acquisition				
Cash consideration	-	-	-	-
Less cash balances acquired	1	-	-	-
Inflow of cash	**1**	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
40. RECONCILIATION OF NET PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES				
Profit from ordinary activities after income tax	4,057	7,583	10,840	3,999
Amortisation of interest rate swap	25	25	25	25
Depreciation	314	308	314	308
(Profit) loss on disposal of plant & equipment	(7)	12	(7)	12
Finance lease charge	100	127	100	127
Gain on disposal of property	(843)	(1,597)	-	-
Net gain on sale of investments	(680)	(31)	(601)	(31)
Dividends received under DRP	-	(46)	-	(46)
Dividends received from controlled entities	-	-	(1,081)	(650)
Share of (profits) losses of associates not received as dividends	3,442	(3,087)	-	-
Write down of investments	1,855	-	1,855	-
Provisions for:				
Doubtful debts	(17)	14	(17)	14
Employee entitlements	6	7	6	7
Decrease (increase) in receivables	(244)	193	(435)	207
Decrease (increase) in investments	2,884	-	(268)	-
Decrease (increase) in prepayments	273	(154)	273	(154)
Decrease (increase) in tax receivable	-	-	283	(283)
Decrease (increase) in future income tax benefit	(613)	153	(613)	153
Increase (decrease) in trade creditors and accruals	173	(466)	(182)	(403)
Increase (decrease) in provision for income taxes payable	919	(259)	1,220	(7)
Increase (decrease) in provision for deferred income tax	230	367	230	367
Net cash inflow from operating activities	**11,874**	**3,149**	**11,942**	**3,645**

41. NON-CASH FINANCING AND INVESTING ACTIVITIES

Dividends satisfied by the issue of shares under the dividend reinvestment plan and bonus in lieu plan are shown in note 29.

	Consolidated Cents per Share 2004	Consolidated Cents per Share 2003
42. EARNINGS PER SHARE		
Basic earnings per share and diluted earnings per share - based on operating profit after income tax.	8.97 c	16.88 c

Diluted earnings per share does not differ from basic earnings per share.

	Consolidated Number of Shares 2004	Consolidated Number of Shares 2003
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share and diluted earnings per share.	45,206,664	44,936,856

Reconciliation of earnings used in calculating earnings per share:

	2004 $'000	2003 $'000
Net profit	4,057	7,583
Net profit attributable to outside interests	(1)	1
Earnings used in calculating basic earnings per share	**4,056**	**7,584**

Options

Options issued are negligible in number and have less than $0.01 effect on diluted earnings per share. They are therefore considered to be non-diluting and have not been included as potential ordinary shares.

43. OTHER INFORMATION

Gowing Bros. Limited is incorporated and domiciled in New South Wales. The registered office, and principal place of business, is Gowings Building, Level 8, 45 Market Street, Sydney NSW 2000.

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

The Company Secretary is Mr J. S. Byers.

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

DIRECTORS' DECLARATION

YEAR ENDED 31 JULY 2004

The directors declare that the financial statements and notes set out on pages 25 to 61:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the company's and consolidated entity's financial position as at 31 July 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; 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.

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

W. A. SALIER
Director

J. E. GOWING
Director

Sydney
23 September 2004

INDEPENDENT AUDIT REPORT

YEAR ENDED 31 JULY 2004

To the members of Gowing Bros. Limited.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position as at 31 July 2004, and the statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for the year ended 31 July 2004 for both Gowing Bros. Limited ("the company") and Gowing Bros. Limited and its controlled entities ("the consolidated entity") as set out on pages 25 to 62. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error, for the accounting policies and for the accounting estimates within the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance that the financial report is free of material misstatement. The nature of an audit is influenced by several factors including the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of audit evidence which may be persuasive rather than conclusive. Accordingly, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether, in all material respects, the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

INDEPENDENT AUDIT REPORT

YEAR ENDED 31 JULY 2004

When determining the nature and extent of our procedures we considered the effectiveness of management's internal controls over financial reporting. Our audit was not designed to provide assurance in relation to internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Gowing Bros. Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 July 2004 and of their performance for the financial year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

HLB MANN JUDD

(NSW Partnership)

Chartered Accountants

S K PREEN

Partner

Sydney

23 September 2004

MARKET VALUE OF INVESTMENTS

AS AT 31 JULY 2004

Investments Shares / Notes / Options Over $200,000	Shares No.	Market Value $
Alesco Corporation Limited	487,274	3,523,000
Alumina Limited	79,636	413,000
Amalgamated Holdings Limited	61,600	223,000
AMP Limited	45,185	283,000
ARB Corporation Limited	160,000	571,000
Australia and New Zealand Banking Group Limited	138,865	2,508,000
Australian Foundation Investment Company Limited	85,000	279,000
Australian Gas Light Company (The)	80,000	1,008,000
Australian Stock Exchange Limited	34,293	540,000
BHP Billiton Limited	289,353	3,814,000
Blackmores Limited	193,812	1,989,000
Brambles Industries Limited	257,734	1,536,000
Carlton Investments Limited	156,370	1,939,000
Coates Hire Limited	200,000	742,000
Coles Myer Limited	200,000	1,778,000
Ebet Limited conv. Notes	14,000	308,000
Fairfax (John) Holdings Limited	595,000	2,243,000
Fleetwood Corporation Limited	125,000	1,034,000
Gowings Retail Limited	7,350,001	2,205,000
Hills Industries Limited	523,810	2,059,000
Invocare Limited	450,000	1,102,000
Just Group Limited	300,000	705,000
Lend Lease Corporation Limited	70,000	728,000
Macquarie Equities (Macquarie Bank Limited)	60,000	1,981,000
Mortgage Choice Limited	475,000	499,000
National Australia Bank Limited	154,700	4,126,000
Noni B Limited	572,016	1,276,000
Pacific Hydro Limited	120,000	349,000
Patrick Corporation Limited	150,000	825,000
Rural Press Limited	100,000	802,000
Rural Press Limited pref. shares	50,000	405,000
SFE Corporation Limited	170,474	1,047,000
SP Telemedia Limited	407,286	591,000
St George Bank Limited	80,000	1,700,000
Suncorp-Metway Limited	100,000	1,390,000
Telstra Corporation Limited	200,000	986,000
Transurban Group	75,000	381,000
Washington H Soul Pattinson & Company Limited	580,880	4,269,000
Wesfarmers Limited	20,000	590,000
West Australian Newspapers Holdings Limited	115,009	817,000
Westpac Banking Coporation	309,400	5,213,000
WMC Resources Limited	79,636	414,000
Woodside Petroleum Limited	79,974	1,439,000
Woolworths Limited	199,500	2,336,000
Other		925,000
Sub total shares / notes and options		**63,891,000**

MARKET VALUE OF INVESTMENTS

AS AT 31 JULY 2004

Private Equity Investments	Market Value $
Macquarie Investment Trust IIIA	920,000
Crescent Capital Manager	350,000
Crescent Capital Partners Growth Fund	1,504,000
Crescent Capital Partners II LP	220,000
Gowings Property Development Fund	320,000
Other investments	572,000
Sub-total private equity investments	**3,886,000**
Total investments	**67,777,000**

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Gowing Bros. Limited is responsible for the corporate governance of the entity. The Board guides and monitors the business and affairs of Gowing Bros. Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Gowing Bros. Limited's corporate governance practices were in place throughout the year ended 31 July 2004 and were compliant with the Australian Stock Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations) which are as follows:

Principle 1. Lay solid foundations for management and oversight

Principle 2. Structure the Board to add value

Principle 3. Promote ethical and responsible decision making

Principle 4. Safeguard integrity in financial reporting

Principle 5. Make timely and balanced disclosure

Principle 6. Respect the rights of shareholders

Principle 7. Recognise and manage risk

Principle 8. Encourage enhanced performance

Principle 9. Remunerate fairly and responsibly

Principle 10. Recognise the legitimate interests of stakeholders

with the exception of the following:

Principle 2.1 The majority of the Board are not independent Directors

Principle 2.4 A Nomination Committee has not been established

Principle 9.2 A Remuneration Committee has not been established

For further information on corporate governance policies adopted by Gowing Bros. Limited, refer to our website: www.gowingbros.com

Structure of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors' Report on page 19.

The Company currently has three non-executive Directors and one executive Director being the Managing Director, Mr John Gowing. Only one non-executive Director, Mr John Parker, is considered to be independent in terms of the Council's prescriptive definition of an independent Director. Whilst the remaining non-executive Directors are not considered independent under the Council's definition, the Board is of the view that their non-independence is not materially significant given the nature of the relationships between the Company and these Directors. Having regard to the current membership of the Board and the size, organisational complexity and scope of operations of the Company ("nature of the Company"), the Company does not believe that creating a Board having a majority of independent Directors is appropriate for the Company at this time.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

CORPORATE GOVERNANCE STATEMENT

The term in office held by each Director in office at the date of this report is as follows:

Name	**Term in office**	**Name**	**Term in office**
Tony Salier	29 years	Michael Alscher	4 years
John Gowing	21 years	John Parker	2 years

For additional details regarding Board appointments, please refer to our website.

Nomination Committee

The Board has not established a Nomination Committee as the Directors do not consider such a Committee to be of value or benefit given the nature of the Company.

All Directors are appointed subject to re-election requirements of the Company's Constitution, ASX Listing Rules and Corporations Act 2001 provisions. The Board regularly reviews succession plans taking into consideration the range of skills, experience and expertise of the current members.

Audit Committee

The Board established its Audit Committee in 1997. The Committee operates under a charter approved by the Board.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board has delegated to the Audit Committee the responsibility for oversight and monitoring of the effectiveness of the Company's internal control framework and the effectiveness of the external audit function.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit Committee during the year were J. G. Parker (Chairman), W. A. Salier and M. T. Alscher.

Performance

Given the nature of the Company, the Board has adopted an informal ad-hoc performance evaluation process of its members and key executives.

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 key executives fairly and appropriately with reference to relevant employment market conditions. The Board however has chosen not to establish a Remuneration Committee given the nature of the Company.

For details on the amount of remuneration and all monetary and non-monetary components for each of the defined non-Director executives during the year and for all Directors, refer to the Directors' Report on page 20. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of Gowing Bros. Limited and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation and superannuation paid under salary sacrifice agreements, to non-executive Directors.

CORPORATE DIRECTORY

DIRECTORS

W. A. SALIER Chairman

J. E. GOWING Managing Director

M. T. ALSCHER

J. G. PARKER

SECRETARY

J. S. BYERS

STOCK EXCHANGE LISTING

GOWING BROS. LIMITED SHARES ARE LISTED

ON THE AUSTRALIAN STOCK EXCHANGE

REGISTERED OFFICE

GOWINGS BUILDING

LEVEL 8, 45 MARKET STREET

SYDNEY NSW 2000

TELEPHONE 61 2 9264 6321

FACSIMILE 61 2 9264 6240

SHARE REGISTER OFFICE

COMPUTERSHARE INVESTOR SERVICES PTY LIMITED

LEVEL 3, 60 CARRINGTON ST

SYDNEY NSW 2000

TELEPHONE 1300 855 080

FACSIMILE 61 2 8234 5050