GOWING BROS

Investing Together for a Secure Future

GOWING BROS. LIMITED

ACN 000 010 471

EST 1868

GOWING BROS

ANNUAL REPORT 2005

INVESTING TOGETHER FOR A SECURE FUTURE

GOWING BROS. LIMITED

ACN 000 010 471

"With a mix of investment classes, there's always one that's performing better than the others according to market cycles"

TED GOWING 1913 - 2005

GOWING BROS

Investing Together for a Secure Future

GOWING BROS. LIMITED
ACN 000 010 471

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"RECORD NET ASSETS PER SHARE AND SPECIAL DIVIDEND"

On behalf of the Board of Directors of Gowing Bros. Ltd, I am pleased to comment on the results for the year ended 31 July 2005.

NET ASSETS PER SHARE

Our net asset backing per share increased by 15.5% during the year from $2.84 to a record $3.20 per share (after adjusting for dividends paid - refer table adjacent). This increase was underpinned by a 29% total return from our listed Australian equity portfolio.

FINANCIAL PERFORMANCE

The reported net profit after tax of $9.8 million was also a record for the company and was significantly boosted by the capital gains made on disposal of investments in our long term equity portfolio. These disposals were either made as a consequence of successful takeovers (Pacific Hydro & Western Mining), or as a result of the review and rebalancing of our long term equity portfolio, undertaken prior to the end of the half year to take advantage of exceptionally strong market conditions.

Underlying maintainable earnings of $5.2 million (2004: $5.7 million) were largely in line with the prior year. Notable differences were the increased returns from investment management, offset by the slowing down in the rate of sale of the residential lots in our Kempsey joint venture subdivision.

FINAL DIVIDEND AND SPECIAL DIVIDEND

A final dividend of 3.5c and a special dividend of 3.0c both payable on 25 October 2005 have been declared.

Both dividends will be fully franked and paid out of the company's eligible capital gains tax reserve as LIC capital gains tax dividends.

SUMMARY FINANCIAL RESULTS AS AT 31 JULY	2005 $'000	2004 $'000
Investment management	4,113	3,689
Property management	2,196	2,471
Property development	47	817
Overheads	(1,190)	(1,287)
Operating profit before tax	**5,166**	**5,690**
Significant Items		
Net distributions from managed private equity	664	2,135
Gain on sale of long term listed equities	7,518	601
Revaluation of 'current' investments	(347)	-
Profit on sale of other investments	-	92
Equity accounted loss of associate (G Retail Limited)	(2,061)	(3,487)
Net profit from significant items	**5,774**	**(659)**
Net profit before tax	**10,941**	**5,031**
Income tax expense	(1,137)	(974)
Outside equity interests	(9)	(1)
Net profit after tax	**9,795**	**4,056**

NET ASSETS AT MARKET VALUE AS AT 31 JULY	2005	2004
Net assets at market value*	$144,402,000	$128,927,000
Shares outstanding	45,081,822	45,319,322
Net assets per share	$3.20	$2.84
Reconciliation of movement in net assets		
Opening net assets per share	$2.84	$2.59
Less dividends paid	$0.07	$0.07
Adjusted value	$2.77	$2.52
Closing net assets per share	$3.20	$2.84
Movement - $ increase (12 months)	$0.43	$0.32
Movement - % increase (12 months)	**15.5%**	**12.7%**

* Refer to "At a Glance" and valuation note on page 5

COMMENTS ON THE MARKET AND OUTLOOK

The Australian share market has risen to record highs over the past year fuelled by companies' continued earnings growth, positive market sentiment and strong cash inflows into the market.

I expect the coming year's returns to be more in line with long term averages although the ride may be more bumpy. I see any short term correction as providing an opportunity to make further investments into good companies that are currently fully priced.

I believe that the Australian economy is still in relatively good shape characterised by an environment of low inflation, low unemployment and low interest rates. The Australian economy should continue to grow further as a result of the continuing resources boom, expected increased infrastructure spending and strong business capital expenditure.

I believe it is likely that the biggest threat to the Australian market will come from abroad. The next major market correction may indeed be triggered by instability in either the US or China.

The company continues to be well positioned to benefit from further growth in the local and world economy due to its diversified portfolio of investments in quality assets spread across listed Australian equities, private equity, prime commercial and retail property, mezzanine finance and cash on deposit.

Conversely, as a result of the same prudent diversification in quality assets and minimal borrowings, we are also well placed to weather any unforeseen future economic downturn.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

The company has made a donation to Surf Aid International in response to the tsunami that ravaged parts of Indonesia. Surf Aid provided essential aid and medical provisions in a timely and focused manner.

The company also continues to support the Gowings Whale Trust.

John Gowing
Managing Director
12 September 2005

GOWINGS "AT A GLANCE"

AS AT 31 JULY 2005

INVESTMENT PORTFOLIO at Market Value		**PROPERTY PORTFOLIO at Market Value**	
Listed equities^	$69,658,000	Investment property by sector	
Private equity investments		Retail	$39,862,000
Macquarie MIT IIIA	$715,000	Commercial	$20,350,000
Crescent Capital Partners Growth Fund	$2,041,000	Industrial	$1,812,000
Crescent Capital Partners Partners II LP	$453,000	Residential	$3,337,000
Other investments	$2,760,000		**$65,361,000**
Total private equity investments	$5,969,000	Development property **by sector**	
Net receivables and other assets	$2,402,000	Residential	$1,050,000
Cash on hand	$9,962,000	Less debt (Market St Sydney)	($10,000,000)
TOTAL INVESTMENT PORTFOLIO	**$87,991,000**	**TOTAL PROPERTY PORTFOLIO**	**$56,411,000**

NET ASSETS AT MARKET VALUE*	**$144,402,000**
Which equates to a market value per share	**$3.20**

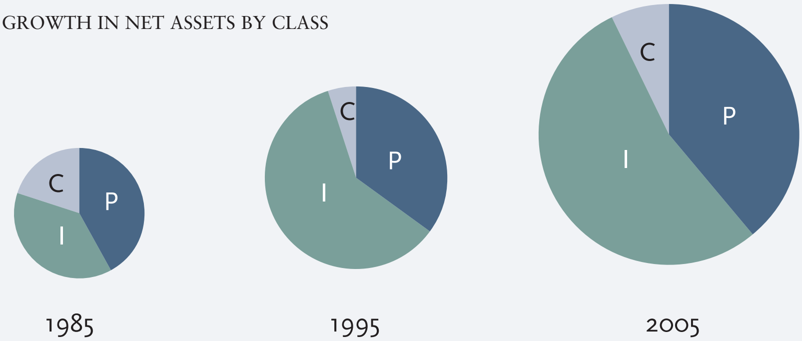
$144.402m/45,081,822 shares on issue

10 Largest Equity Holdings^	
BHP Billiton Limited	$7,538,000
Westpac Banking Corporation	$6,111,000
Washington H. Soul Pattison Company Limited	$4,800,000
Macquarie Equities (Macquarie Bank Limited)	$3,780,000
National Australia Bank Limited	$3,125,000
John Fairfax Holdings Limited	$3,087,000
ANZ Banking Group Limited	$2,980,000
Woolworths Limited	$2,952,000
Alesco Corporation Limited	$2,761,000
Blackmores Limited	$2,616,000
Other holdings	$29,908,000
TOTAL (refer page 65)	**$69,658,000**

**NOTE: Valuations are made before tax on unrealised capital gains. Private equity valuations are based on the manager's most recent valuations. Property valuations are based on management's opinion of fair market value arrived at after appropriate consultation with real estate advisors, valuers and joint venture partners. Market values in this schedule have not been audited.*

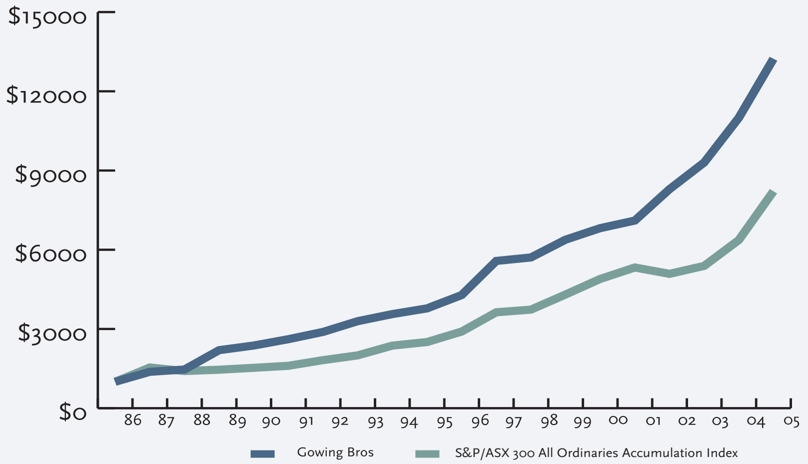
OUR TRACK RECORD

GROWTH IN NET ASSETS BY CLASS



Net Assets	1985	%	1995	%	2005	%
Property (P)	$12,000,000	42	$31,271,000	35	$56,411,000	39
Investment (I)	$10,920,367	38	$52,765,000	60	$78,029,000	45
Cash (C)	$5,827,636	20	$4,254,000	5	$9,962,000	7
Total	$28,748,003	100	$88,290,000	100	$144,402,000	100
Dividends Paid	1976-1985 $2,409,238		1986-1995 $17,211,762		1996-2005 $50,794,640	

COMPARATIVE GROWTH OF $1,000



BOARD OF DIRECTORS AND MANAGEMENT

The Directors are also shareholders in the company, which ensures that their interests are aligned with those of shareholders.

Tony Salier B.A, LL.B (Syd), LL.M (Harvard)

Chairman

Tony Salier 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 35 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 lawyer with Pigott Stinson Ratner Thom, a long established Sydney law firm. Tony has practised corporate law in Sydney for 37 years and advises a number of corporations. Tony was previously an examiner in company law for the Barristers and Solicitors Admission Board.

Tony is a trustee / director of private foundations, estates, private trusts and companies with a combined investment portfolio exceeding $85 million.

John Gowing Bachelor of Commerce, CA, CPA

Managing Director

John has continued the tradition of success at Gowing Bros. during his 18 years at the helm.

John is only the fourth Managing Director of Gowing Bros. in 136 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 from emerging trends and growth industries.

John's finance and business skills are also grounded in his past employment with Ord Minnett (now JP Morgan) stockbrokers and Arthur Young chartered accountants.

Michael Alscher Bachelor of Commerce

Non-executive Director

Michael has served as a non-executive Director on the Gowing Bros. board since 2000. Michael is a founding executive Director of Crescent Capital Partners, a private equity manager with funds under management in excess of $125 million.

Michael has an in depth understanding of Gowing Bros. having previously acted as the Chief Operating Officer of the company between 1997 to 2000.

Prior to joining Gowing Bros., Michael began his career in corporate finance at the Chase Manhattan Bank. He then worked as a strategy consultant with Bain International and the L|E|K Partnership before joining Gowing Bros. in 1997.

John Parker Bachelor of Economics

Non-executive Director

John has served as a non-executive Director of Gowing Bros. since January 2002. John is a principal and an executive Director of Saltbush Funds Management, a niche alternative assets manager.

John brings considerable experience to the Board with over twenty two 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, before joining Ord Minnett in London and subsequently moving to Sydney. John joined County Natwest Securities (now Citigroup Smith Barney) in 1991 where 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 executive management team in various roles over the past 11 years both strategically and operationally.

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 company and has previously practised in commercial and property law.

Garth Grundy — Bachelor of Commerce, CA, SIA

Executive Officer – Investment and Finance

Garth joined Gowing Bros. in February 2005 after having consulted to the company for approximately three years.

Garth has extensive investment and finance experience gained from his past employment with corporate advisory firm Coyne Capital, investment bank Hindal Corporate, venture capital fund KHATZ Capital and the corporate finance division of Ernst and Young (previously Arthur Andersen).

Garth is a member of the Institute of Chartered Accountants and the Securities Institute.

FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2005

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2005

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 2005.

Consolidated Results

	2005 $'000	2004 $'000
Operating profit before income tax	10,941	5,031
Income tax expense	(1,137)	(974)
Net profit after income tax	9,804	4,057
Net profit attributable to outside equity interests	(9)	(1)
Net profit attributable to members of Gowing Bros. Ltd	9,795	4,056

Dividends

A final fully franked LIC capital gains tax dividend of 3.5 cents per share is payable on 25 October 2005.	$1,577,864
A special fully franked LIC capital gains tax dividend of 3.0 cents per share is payable on 25 October 2005.	$1,352,455
An interim fully franked dividend of 3.5 cents per share was paid to shareholders on 22 April 2005 adjusted for shareholder participation in the Bonus in Lieu Share Plan.	$1,576,644
A final fully franked dividend of 3.5 cents per share was paid to shareholders on 25 October 2004 in accordance with last year's annual report.	$1,580,761

The Directors have chosen to suspend the company's Dividend Reinvestment and Bonus in Lieu Plans until further notice.

Review of Operations

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

Environment

The company is committed to a policy of environmental responsibility in all of 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.

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 investment properties, managed private equity, property development projects and cash.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2005

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

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.

Likely Developments and Expected Results of Operations

Further information on likely developments in the operations of the consolidated entity are included in the Managing Directors' Review of Operations section on pages 2 - 4.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2005

Information on Directors

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

	Shares	Options
W. A. Salier - Chairman Non-executive B.A., LL.B.(Syd), LL.M. (Harvard) Director since 1975 Member of the Audit Committee Mr Salier is a solicitor with 37 years experience No directorships held in other listed companies over past 3 years	46,774	-
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 Directorships held in listed companies during past 3 years: - G Retail Limited - resigned August 2004 - Noni B Limited	16,204,072	-
M. T. Alscher Non-executive Bachelor of Commerce Director since 2000 Mr Alscher is an executive director of a private equity funds manager and was the former Chief Operating Officer of the company. Directorships held in listed companies during past 3 years - G Retail Limited - resigned May 2004	240,982	-
J. G. Parker Non-executive Bachelor of Economics Director since 2002 Mr Parker is an executive director of a niche alternative assets manager. No directorships held in other listed companies over past 3 years	40,000	-

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2005

Meetings of Directors

Attendance at Board and Audit Committee meetings by each Director of the company during the financial year is set out below:

	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
W. A. Salier	11	11	3	3
J. E. Gowing	11	11	n/a	n/a
M. T. Alscher	11	8	3	3
J. G. Parker	11	10	3	3

Remuneration Report

Remuneration of Directors and Executives

Remuneration Philosophy

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

Remuneration Committee

The Board has chosen not to establish a Remuneration Committee given the nature of the company. The company has three non-executive Directors, one executive Director and two other executives. The full Board acts as a Remuneration Committee as and when appropriate.

Remuneration Structure

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

Non-Executive Directors

Persons who were Directors of the company for all of the financial year ended 31 July, 2005 were:

- W.A. Salier, Chairman
- J.E. Gowing, Managing Director
- M.T. Alscher
- J.G. Parker

The remuneration of non-executive Directors is determined in accordance with the Directors' remuneration provisions of the company's constitution. Non-executive Directors do not receive any performance based remuneration.

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

Executives

Executives are officers of the company who are involved in, concerned with, take part in and are able to influence decisions in the management of the affairs of the company. Persons who were executives for all or part of the financial year ended 31 July, 2005 were:

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2005

- J.E. Gowing, Managing Director
- J.S. Byers, Executive Officer - Property Division and Company Secretary
- G.J. Grundy, Executive Officer - Investment and Finance

Executive Remuneration

Executive remuneration is a combination of a fixed total employment cost package and a discretionary incentive element which may be awarded by way of cash bonus or invitation to participate in the company's Employee Share and Option Scheme. Remuneration is referenced to relevant employment market conditions and reviewed annually to ensure it is competitive and reasonable.

The incentive element is awarded at the discretion of the Board on the basis of recommendation from the Managing Director. In determining the amount (if any) of bonus payments or of options or shares issued, consideration is given to an executive's effort and contribution to both the current year performance and the long term performance of the company, the scope of the executive's responsibilities within the company, the scale and complexity of investments required to be managed, the degree of active management required and the degree of skill exhibited in the overall process. Regard is also had to the quantum of an executive's total remuneration.

Staff

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.

Employee Share and Option Scheme

The Company Employee Share and Option scheme may be utilised as a part of the award of any incentive payment for all employees.

Remuneration and Company Performance

In the current year, the company's net profit after tax grew by 141% and total net assets (adjusted for dividends paid) grew by $20 million or 15.5%. In respect of a longer term comparison of executive and Board remuneration, it is most appropriate to consider the 3 years since the sale and devolution of the company's retail division because of the subsequent restructuring of the company's activities including the significant reduction in the number of relevant executives with the departure of the retail management team. During the last 3 years the value of the net assets under management has grown organically by an average in dollar terms of $14,330,000 or 12.7% per annum. The total value of this growth in dollar terms is $43,000,000 or 38.2%. Over the 3 year period and consistent with the expanded complexity and increased value generation of the company's operations total executive salaries and Board emoluments has increased on average in dollar terms by $116,338 or 23.3% per annum. This increase in remuneration is equivalent to 0.8% of the average per annum increase in net assets under management. Over the last 3 years total executive salaries and Board emoluments as a proportion of net assets under management has remained steady at 0.62%.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2005

Director Remuneration

The following table discloses the remuneration of the Directors of the company for the year ended 31 July 2005:

2005	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	-	-	-	-	60,000	-	-	60,000
J. E. Gowing	177,064	140,000	9,038	32,472	65,936	-	-	424,510
J. G. Parker	36,000	-	-	-	4,000	-	-	40,000
M. T. Alscher	40,000	-	-	-	-	-	-	40,000
Total	253,064	140,000	9,038	32,472	129,936	-	-	564,510

Executive Remuneration

The following table discloses the remuneration of the other executives of the company for the year ended 31 July 2005:

2005	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	159,430	95,414	9,038	31,516	38,935	-	-	334,333
G. J. Grundy*	12,232	-	-	-	1,101	-	-	13,333

*Employment commenced 1 July 2005

Details of Remuneration

The following table discloses the basis of remuneration for Directors and executives for the year ended 31 July 2005:

2005	Proportions of elements of remuneration		% of remuneration consisting of options	Value of options movement during year			
	Performance related %	Non-performance related %	%	Granted $	Exercised $	Lapsed $	Aggregate $
Directors							
W. A Salier	-	100	-	-	-	-	-
J. E. Gowing	33	67	-	-	-	-	-
J. G. Parker	-	100	-	-	-	-	-
M. T. Alscher	-	100	-	-	-	-	-
Executives							
J. S. Byers	29	71	-	-	48,750[3]	-	48,750
G. J. Grundy	-	100	-	-	-	-	-

1 Non-monetary benefits include car parking and FBT related charges.
2 Other benefits include motor vehicles and FBT related charges.
3. 25,000 options converted into 25,000 ordinary shares at $1.95 per share.

DIRECTORS' REPORT

AS AT 31 JULY 2005

Shares Under Option

There were no unissued shares under option at the date of this report.

Indemnification and Insurance of Directors and Officers

The company's Constitution provides an indemnity for every officer against any liability incurred in his capacity as an officer of the company to another person, except the company or a body corporate related to the company, unless such liability arises out of conduct involving lack of good faith on the part of the officer. The Constitution further provides for an indemnity in respect of legal costs incurred by those persons in defending proceedings in which judgement is given in their favour, they are acquitted or the Court grants them relief. During the year the company paid insurance premiums in respect of the aforementioned indemnities. Disclosure of the amount of the premiums and of the liabilities covered is prohibited under the insurance contract.

Non-audit Services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (HLB Mann Judd) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement Fl, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 62.

DIRECTORS' REPORT

AS AT 31 JULY 2005

	Consolidated 2005 $	2004 $
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:		
Assurance Services		
1. Audit Services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	77,521	65,820
2. Other Assurance Services		
Review of outgoings	-	1,800
3. Taxation Services		
Tax compliance services, including review of company income tax returns	48,203	41,270
4. Advisory Services		
Advice on the acquisition of associate	-	4,800

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.

Signed in accordance with a resolution of the Directors of Gowing Bros. Limited.

W. A. SALIER
Director

J. E. GOWING
Director

23 September 2005

AUSTRALIAN STOCK EXCHANGE LISTING REQUIREMENTS

31 JULY 2005

1. Shareholders at 31 August 2005

Range of shares	Number of shareholders
1-1,000	379
1,001-5,000	712
5,001-10,000	230
10,001-100,000	288
Over 100,000	39
Total Shareholders	**1,648**

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 31 August 2005

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

John Edward Gowing	16,204,072	Ordinary Shares
Carlton Hotel Limited	4,273,768	Ordinary Shares
Mollie Gowing	3,998,452	Ordinary Shares
RBC Global Services Australia Nominees Pty Limited	2,911,616	Ordinary Shares

AUSTRALIAN STOCK EXCHANGE LISTING REQUIREMENTS

31 JULY 2005

4. Top Twenty Equity Security Holders at 31 August 2005

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

		Nº. of Ordinary shares	% of Issued shares
1.	Audley Investments Pty Ltd	5,915,475	13.12
2.	Warwick Pty Ltd	4,809,952	10.67
3.	Carlton Hotel Ltd	4,273,768	9.48
4.	John Edward Gowing	3,117,179	6.91
5.	RBC Global Services Australia Nominees Pty Ltd	2,911,616	6.46
6.	Woodside Pty Ltd	2,022,871	4.49
7.	Mollie Gowing	1,774,756	3.94
8.	Dandeloo Pty Ltd	1,178,614	2.61
9.	Appleby Pty Ltd	1,045,082	2.32
10.	T N Phillips Investments Pty Ltd	700,306	1.55
11.	Enbeear Pty Ltd	578,936	1.28
12.	Jean Kathleen Poole-Williamson	509,348	1.13
13.	Fijolin Pty Ltd	350,000	0.78
14.	J S Millner Holdings Pty Ltd	317,960	0.71
15.	Frederick Bruce Wareham	280,180	0.62
16.	Washington H Soul Pattinson & Company Ltd	277,736	0.62
17.	Citicorp Nominees	247,450	0.55
18.	Westpac Custodian Nominees Ltd	243,691	0.54
19.	QRS Investments Ltd	238,586	0.53
20.	University of Sydney Union	215,641	0.48
Total		**31,009,147**	**68.79**
Total Issued Share Capital		**45,081,822**	**100.00**

5. Corporate Governance Practices

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

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 JULY 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Revenue from ordinary activities	3	32,494	22,633	31,006	24,491
Cost of investments sold		(13,305)	(7,217)	(13,305)	(7,146)
Cost of property sold		(668)	(940)	-	-
Cost of plant and equipment sold		-	(54)	-	(54)
Investment property related expenses		(1,771)	(1,020)	(1,424)	(908)
Employee expenses		(1,507)	(1,283)	(1,377)	(1,264)
Public company expenses		(278)	(192)	(278)	(192)
Administration and other expenses		(518)	(594)	(518)	(594)
Borrowing costs expense		(798)	(704)	(674)	(704)
Depreciation expense		(300)	(314)	(300)	(314)
Revaluation of investments		(347)	(1,855)	(5,683)	(1,855)
Share of net loss of associates accounted for using the equity method	37	(2,061)	(3,429)	-	-
Profit from ordinary activities before income tax expense		**10,941**	**5,031**	**7,447**	**11,460**
Income tax expense	5	(1,137)	(974)	(968)	(620)
Net profit after tax		**9,804**	**4,057**	**6,479**	**10,840**
Net profit attributable to outside equity interest		(9)	(1)	-	-
Net profit attributable to members of Gowing Bros. Limited	27(b)	**9,795**	**4,056**	**6,479**	**10,840**
Total changes in equity other than those resulting from transactions with owners as owners		**9,795**	**4,056**	**6,479**	**10,840**
Basic earnings per share	40	21.71c	8.97c		
Diluted earnings per share	40	21.71c	8.97c		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 JULY 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Current Assets					
Cash assets	6	9,962	3,003	9,885	2,941
Receivables	7	1,599	1,580	1,755	1,126
Investment loans	8	3,591	7,360	3,904	7,360
Other financial assets	9	882	-	882	-
Other	10	419	218	367	218
Total Current Assets		**16,453**	**12,161**	**16,793**	**11,645**
Non-Current Assets					
Receivables	11	360	397	8,512	8,731
Investments accounted for using the equity method	12(a)	-	2,221	-	-
Other financial assets	12(b)	36,081	36,125	36,083	41,623
Investment loans	13	1,294	1,260	1,260	1,260
Development properties	14	746	738	-	-
Investment properties	15	59,417	53,854	52,351	47,850
Plant and equipment	16	2,284	2,515	2,269	2,515
Tax assets	17	669	877	669	877
Other	18	3	29	3	29
Total Non-Current Assets		**100,854**	**98,016**	**101,147**	**102,885**
Total Assets		**117,307**	**110,177**	**117,940**	**114,530**
Current Liabilities					
Payables	19	1,002	1,052	1,009	662
Interest bearing liabilities	20	609	1,071	443	712
Tax liabilities	21	673	1,236	673	1,220
Total Current Liabilities		**2,284**	**3,359**	**2,125**	**2,594**
Non-Current Liabilities					
Payables	22	-	-	8,219	8,221
Interest bearing liabilities	23	12,550	10,443	11,550	10,443
Tax liabilities	24	876	780	791	694
Provisions	25	65	62	65	62
Total Non-Current Liabilities		**13,491**	**11,285**	**20,625**	**19,420**
Total Liabilities		**15,775**	**14,644**	**22,750**	**22,014**
Net Assets		**101,532**	**95,533**	**95,190**	**92,516**
Equity					
Parent entity interest					
Contributed equity	26(a)	7,110	7,799	7,110	7,799
Reserves	27(a)	25,965	68,645	25,965	68,645
Retained profits	27(b)	68,448	19,089	62,115	16,072
Total parent entity interest		**101,523**	**95,533**	**95,190**	**92,516**
Outside equity interest in controlled entities	28	**9**	-	-	-
Total Equity	29	**101,532**	**95,533**	**95,190**	**92,516**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Cash Flows From Operating Activities					
Receipts from customers (inclusive of GST)		7,265	8,595	5,945	8,864
Payments to suppliers and employees (inclusive of GST)		(4,878)	(2,765)	(3,876)	(2,961)
Dividends received		2,701	2,232	3,046	2,232
Dividends received from associates		-	2,955	-	2,955
Interest received		1,312	1,645	1,307	1,636
Borrowing costs		(700)	(350)	(662)	(350)
Income taxes paid		(1,396)	(438)	(1,379)	(434)
Net Cash Inflows/(Outflows) From Operating Activities	41	**4,304**	**11,874**	**4,381**	**11,942**
Cash Flows From Investing Activities					
Payments for purchases of plant and equipment		(69)	(77)	(55)	(77)
Payments for purchases of equity investments		(14,330)	(11,808)	(14,330)	(11,808)
Payments for purchase of property		(6,625)	(2,070)	(4,501)	(759)
Loans to other entities		-	(11,165)	(824)	(11,167)
Proceeds from sale of plant and equipment		-	61	-	61
Proceeds from sale of equity investments		25,103	7,897	25,103	7,747
Proceeds from sale of property		1,324	1,134	-	-
Cash acquired on acquisition of controlled entity		-	1	-	-
Loans repaid by/(paid to) other entities		(545)	5,730	-	5,995
Net Cash Inflows/(Outflows) From Investing Activities		**4,858**	**(10,297)**	**5,393**	**(10,008)**
Cash Flows From Financing Activities					
Proceeds from share issues		33	16	33	16
Proceeds from borrowings		3,097	801	1,732	-
Payments for shares bought back		(1,526)	(193)	(1,527)	(193)
Repayment of lease liabilities		(530)	(589)	(530)	(589)
Repayment of borrowings		(696)	(8,413)	-	(7,977)
Dividends paid		(2,356)	(2,337)	(2,356)	(2,337)
Net Cash Inflows/(Outflows) From Financing Activities		**(1,978)**	**(10,715)**	**(2,648)**	**(11,080)**
Net Increase/(Decrease) in Cash Held		7,184	(9,138)	7,126	**(9,146)**
Cash at the beginning of the financial year		2,778	11,916	2,759	11,905
Cash at the End of the Financial Year	6	**9,962**	**2,778**	**9,885**	**2,759**
Non-cash financing activities	42	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

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 2005 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 or expenses 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 exercises 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

31 JULY 2005

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 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 Investment

Dividend income is recognised when received.

(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 and a provision for doubtful debts is raised when some doubt as to collection exists.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 – Current / Non-Current

Interests in current listed and unlisted securities are brought to account at market value, with the change in market value reflected in the statement of financial performance.

Interests in non-current listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost. Dividend income is recognised in the statement of financial performance when received. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(a).

The interest in joint ventures 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 the estimated useful life of the improvement to the consolidated entity.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(q) Joint Venture Operations

The proportionate interests in the assets, liabilities and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 (AASB) has adopted International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. Refer note 43.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

2. SEGMENT INFORMATION

Business Segments

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

Investment Management

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

Property Management

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

Geographical Segments

The consolidated entity operates only in Australia.

	Property Management $'000	Investment Management $'000	Inter-segment Eliminations $'000	Consolidated $'000
Business Segments - 2005				
Revenue from outside the consolidated entity	6,341	26,153	-	32,494
Intersegment revenue	56	-	(56)	-
Total revenue	6,397	26,153	(56)	32,494
Share of net profits of associates	-	(2,061)	-	(2,061)
Total segment revenue	**6,397**	**24,092**	**(56)**	**30,433**
Segment result	2,480	8,461	-	10,941
Income tax expense				(1,137)
Net profit				**9,804**
Segment assets	63,182	53,456	-	116,638
Unallocated assets				669
Total assets				**117,307**
Segment liabilities	13,856	370	-	14,226
Unallocated liabilities				1,549
Total liabilities				**15,775**
Investments in associates (note c)				-
Acquisition of property, plant and equipment, & other non-current segment assets	5,589	43	-	5,632
Depreciation expense	264	36	-	300
Profit on sale of property	293	-	-	293

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

	Property Management $'000	Investment Management $'000	Inter-segment Eliminations $'000	Consolidated $'000
2. SEGMENT INFORMATION (continued)				
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 of associate	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 c)	-	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

(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. 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 entitlement. Segment assets and liabilities do not include income taxes.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

2. SEGMENT INFORMATION (continued)

(b) Inter-segment 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

G Retail Limited (previously Gowings Retail Limited) was an equity accounted associate until 31/10/2004. Gowing Bros. Limited's holding was reduced to 19.58% after a rights issue completed by G Retail Limited on 29/12/2004 and this current financial asset is included at market value in the consolidated statement of financial position. This investment is allocated to the investment segment.

	Consolidated		Parent Entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
3. REVENUE				
Revenue From Operating Activities				
Proceeds on sale of long term investments	20,823	7,897	20,823	7,747
Proceeds on sale of property	961	1,784	-	-
Proceeds on sale of plant and equipment	-	61	-	61
Interest	1,887	1,734	1,882	1,724
Dividends	2,701	2,291	3,046	6,537
Rent	4,167	3,817	4,054	3,817
Other investment income	1,214	4,566	761	4,121
Other property income	424	428	433	428
Other income	317	55	7	56
Revenue from ordinary activities (excluding equity accounted net profits of associates)	**32,494**	**22,633**	**31,006**	**24,491**

4. OPERATING PROFIT

(a) Net Gains and Expenses

Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Net gains on disposal				
Investments	7,518	680	7,518	601
Property, plant and equipment	293	850	-	7
Expenses				
Bad and doubtful debts -trade debtors	85	4	85	4
Interest paid – other persons	798	704	674	704
Provision for employee entitlements	2	6	2	6

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
4. OPERATING PROFIT (continued)				
(b) Individually Significant Items				
Private equity investment distributions	664	3,990	664	3,990
Revaluation investments	(347)	(1,855)	(5,683)	(1,855)
Share of net loss of associate (G Retail Ltd)	(2,061)	(3,487)	-	-
Profit on sale of investments	7,518	680	7,518	601
Share of net profit of associate (Healesville Holdings Pty Limited: Burrawang Ridge Estate property)	-	13	-	-
Share of net profit of associate (Bayview Heights Estate Pty Limited)	-	45	-	-

5. INCOME TAX

The income tax expense for the financial year differs from the amount calculated on the profit, reconciled as follows:

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Profit from ordinary activities before income tax expense	10,941	5,031	7,447	11,460
Prima facie tax expense on the net profit at 30%	3,282	1,509	2,234	3,438
Tax effect of permanent differences:				
Share of net loss of G Retail Ltd accounted for using the equity method	618	1,046	-	-
Non-assessable income	-	(844)	-	(798)
Non-deductible expenses	31	7	31	7
Revaluation of current assets	(1,619)	-	(18)	
Accounting profit on disposal of other financial assets	(2,255)	(180)	(2,255)	
Tax profit on disposal of other financial assets	1,815	183	1,815	
Franked dividends	(774)	(717)	(878)	(1,987)
Under/(over) provision in prior year	39	(30)	39	(30)
Losses transferred from subsidiaries	-	-	-	(10)
Income tax expense	**1,137**	**974**	**968**	**620**

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

5. INCOME TAX (continued)

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 (revenue).

	Consolidated		Parent Entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
6. CURRENT ASSETS - CASH ASSETS				
Cash at bank and on hand	205	164	128	102
Deposits at call	9,757	2,839	9,757	2,839
	9,962	**3,003**	**9,885**	**2,941**
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	9,962	3,003	9,885	2,941
Less: bank overdrafts (note 20)	-	(225)	-	(182)
Balances per statement of cash flows	**9,962**	**2,778**	**9,885**	**2,759**

The deposits at call bear floating interest rates of up to 5.40% (2004: 5.15%).

	Consolidated 2005	Consolidated 2004	Parent Entity 2005	Parent Entity 2004
7. CURRENT ASSETS - RECEIVABLES				
Trade debtors	-	74	-	74
Less: Provision for doubtful debts	-	(14)	-	(14)
	-	60	-	60
Other debtors	1,599	1,520	1,233	713
Tax related receivables from wholly owned controlled entities and joint ventures	-	-	522	353
	1,599	**1,580**	**1,755**	**1,126**

Other debtors includes interest on mezzanine finance transactions and property development loans, charged at commercial rates, a receivable from Bergow Unit Trust and monies due on contracts for sales exchanged but not settled from the Bunya Pines Estate Joint Venture.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
8. CURRENT ASSETS – INVESTMENT LOANS				
Tattersalls Hotel[1] (note 38)	-	-	272	-
Loan to Bunya Pines Estate Joint Venture (note 38)	-	-	15	-
Loan to Macleay Retail Development Joint Venture (note 38)	-	-	26	-
Mezzanine loans	3,591	7,360	3,591	7,360
	3,591	**7,360**	**3,904**	**7,360**

[1] Formerly Pearl Perch Hotel - part of Macleay Retail Development Joint Venture

9. CURRENT ASSETS – OTHER FINANCIAL ASSETS				
Listed securities – market value	**882**	**-**	**882**	**-**
10. CURRENT ASSETS - OTHER				
Prepayments	366	192	341	192
Deferred expenditure	26	26	26	26
Other	27	-	-	-
	419	**218**	**367**	**218**
11. NON-CURRENT ASSETS - RECEIVABLES				
Loans to controlled entities	-	-	8,152	8,334
Interest receivable	-	43	-	43
Loans to directors, director related entities and executives	335	313	335	313
Other loans	25	41	25	41
	360	**397**	**8,512**	**8,731**

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

Shares in associates	**-**	**2,221**	**-**	**-**

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).

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
12. EQUITY INVESTMENTS (continued)				
(b) Non-current Assets - Other Financial Assets				
Listed Securities				
Shares - at cost	29,320	31,705	29,320	31,705
Shares in associates – at cost	-	-	-	5,496
Preference shares – at cost	258	543	258	543
Unlisted Securities				
Controlled entities – at cost	-	-	2	2
Private equity – at cost or valuation	6,503	3,877	6,503	3,877
	36,081	**36,125**	**36,083**	**41,623**
(c) Market Value at Balance Date – Listed Securities				
Shares	69,389	61,121	69,389	61,121
Shares in associates	-	2,205	-	2,205
Preference shares	269	565	269	565
13. NON-CURRENT ASSETS – INVESTMENT LOANS				
Mezzanine loans	1,260	1,260	1,260	1,260
Other	34	-	-	-
	1,294	**1,260**	**1,260**	**1,260**
14. NON-CURRENT ASSETS – DEVELOPMENT PROPERTIES				
Bunya Pines Estate Joint Venture	**746**	**738**	-	-
15. NON-CURRENT ASSETS – INVESTMENT PROPERTIES				
Land and buildings - at cost/written down value	**59,417**	**53,854**	**52,351**	**47,850**

	2005 Book Value	2005 Market Value	2004 Book Value	2004 Market Value
Land and buildings	**59,417**	**64,861**	**53,854**	**59,330**

The market values shown above are based on Directors' assessments of market value at 31 July 2005.

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Movements in Investment Properties				
Balance at beginning of year	53,854	49,953	47,850	47,091
Acquisition of properties	5,563	3,973	4,501	759
Sale of trust units	-	(72)	-	-
Balance at end of year	**59,417**	**53,854**	**52,351**	**47,850**

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

15. NON-CURRENT ASSETS – INVESTMENT PROPERTIES (continued)

Leasing arrangements

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

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

Within one year	3,367	3,866	3,367	3,650
Later than one but not later than 5 years	11,561	11,459	11,561	11,445
Later than 5 years	2,863	5,465	2,863	5,465
	17,791	**20,790**	**17,791**	**20,560**

16. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

At cost	4,033	3,964	4,017	3,964
Less: accumulated depreciation	(1,749)	(1,449)	(1,748)	(1,449)
	2,284	**2,515**	**2,269**	**2,515**

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:

Carrying amount at start of year	2,515	2,805	2,515	2,805
Additions	69	77	54	77
Disposals	-	(53)	-	(53)
Depreciation/amortisation expense	(300)	(314)	(300)	(314)
Carrying amount at year end	2,284	2,515	2,269	2,515

17. NON-CURRENT ASSETS - DEFERRED TAX ASSETS

Future income tax benefit	**669**	**877**	**669**	**877**

18. NON-CURRENT ASSETS - OTHER

Deferred expenditure	**3**	**29**	**3**	**29**

NOTES TO THE FINANCIAL STATEMENTS

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	Consolidated		Parent Entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
19. CURRENT LIABILITIES - PAYABLES				
Trade creditors	123	59	123	59
Other creditors and accruals	879	993	886	603
	1,002	**1,052**	**1,009**	**662**
20. CURRENT LIABILITIES - INTEREST BEARING LIABILITIES				
Bank overdrafts	-	225		182
Share of joint venture bill payable (secured) (note 23)	166	316	-	-
Lease liabilities (secured) (note 23, 34)	443	530	443	530
	609	**1,071**	**443**	**712**
21. CURRENT LIABILITIES - TAX LIABILITIES				
Income tax	**673**	**1,236**	**673**	**1,220**
22. NON-CURRENT LIABILITIES - PAYABLES				
Loans from controlled entities	**-**	**-**	**8,219**	**8,221**
23. NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES				
Lease liabilities - secured [1] (note 34)	-	443	-	443
Bill payable – unsecured [2]	10,000	10,000	11,550	10,000
Bill payable – secured [3]	2,550	-	-	-
	12,550	**10,443**	**11,550**	**10,443**

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

[2] 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.

[3] $1.0 million is secured against the Tattersalls Hotel investment property and guarantees from the parent entity. $1.55 million is secured against the Bowral, Forster and Eumundi investment properties.

NOTES TO THE FINANCIAL STATEMENTS

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	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000

23. NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES (continued)

Financing Arrangements

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

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Total facilities				
Bank overdrafts	1,000	1,040	1,000	1,000
Unsecured bill acceptance facility	20,000	10,000	20,000	10,000
Secured bill facilities	3,100	1,088	-	-
	24,100	**12,128**	**21,000**	**11,000**
Used at balance date				
Bank overdrafts	-	225	-	182
Unsecured bill acceptance facility	10,000	10,000	10,000	10,000
Secured bill facilities	2,716	316	-	-
	12,716	**10,541**	**10,000**	**10,182**
Unused at balance date				
Bank overdrafts	1,000	815	1,000	818
Unsecured bill acceptance facility	10,000	-	10,000	-
Secured bill facilities	384	772	-	-
	11,384	**1,587**	**11,000**	**818**

The interest rates at balance date were up to a maximum of 10.6% on the bank overdrafts (2004: 8.70%), 6.23% on the unsecured bill acceptance facility (2004: 5.55%) and up to 6.87% on the secured bill facilities (2004: 6.76%).

24. NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Provision for deferred income tax	**876**	**780**	**791**	**694**

25. NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Employee entitlements	**65**	**62**	**65**	**62**

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

	Consolidated 2005 Shares	Consolidated 2004 Shares	Parent Entity 2005 $'000	Parent Entity 2004 $'000
26. CONTRIBUTED EQUITY				
(a) Share capital				
Ordinary shares fully paid	45,081,822	45,319,322	7,110	**7,799**

(b) Movements in ordinary share capital

Date	Details	Notes	Number of Shares	Issue Price Per Share $	$'000
31/07/2004	Balance		45,319,322		7,799
	On-market share buy back	(g)	(587,370)		(1,527)
25/10/2004	Dividend reinvestment plan issue	(d)	146,827	2.55	374
22/04/2005	Dividend reinvestment plan issue	(d)	139,103	2.70	376
22/04/2005	Bonus in lieu issues	(e)	18,940		-
	Options excercised	(f)	45,000	1.95	88
31/07/2005	**Balance**	(c)	**45,081,822**		**7,110**

(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.

(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. Shares are issued at market price.

(f) Options

Options to take up ordinary shares in the capital of the company have been granted under the 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 was 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 2005 is nil (2004: 74,000).

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.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

26. CONTRIBUTED EQUITY (continued)

(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.

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
27. RESERVES AND RETAINED PROFITS				
(a) Reserves				
Asset revaluation reserve	**25,965**	**68,645**	**25,965**	**68,645**
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.				
Movements				
Asset revaluation reserve				
Opening balance	25,965	25,965	25,965	25,965
Transfer to retained profits	-	-	-	-
Closing balance	**25,965**	**25,965**	**25,965**	**25,965**
General reserve				
Opening balance	10,010	10,010	10,010	10,010
Transfer to retained profits	(10,000)	-	(10,000)	-
Decrease during year	(10)	-	(10)	-
Closing balance	**-**	**10,010**	**-**	**10,010**
Capital profit reserve				
Opening balance	32,670	32,670	32,670	32,670
Transfer to retained profits	(32,670)	-	(32,670)	-
Closing balance	-	32,670	-	**32.670**
(b) Retained Profits				
Retained profits at the beginning of the financial year	19,089	18,088	16,072	8,287
Net profit attributable to members of Gowing Bros. Limited	9,795	4,056	6,479	10,840
Dividends provided for or paid	(3,106)	(3,055)	(3,106)	(3,055)
Aggregate of amounts transferred from reserves	42,670	-	42,670	-
Retained profits at the end of the financial year	**68,448**	**19,089**	**62,115**	**16,072**

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
28. OUTSIDE EQUITY INTERESTS				
Contributed equity	-*	-*	-	-
Retained profits	9	-	-	-
	9	-	-	-

* Interest in contributed equity is $500.

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
29. EQUITY				
Total equity at the beginning of the financial year	95,533	93,993	92,516	84,193
Total changes in equity recognised in the statement of financial performance	9,795	4,056	6,479	10,840
Prior year dividend of 3.5c fully franked	(1,580)	(1,577)	(1,580)	(1,577)
Prior year dividend satisfied by issue of shares under Dividend Reinvestment Plan and Bonus in Lieu Plan	374	408	374	408
Interim Dividend of 3.5c fully franked (2004: 3.5c fully franked)	(1,577)	(1,583)	(1,577)	(1,583)
Interim Dividend satisfied by issue of shares under Dividend Reinvestment Plan and Bonus in Lieu Plan	427	415	427	415
On-market share buy backs	(1,527)	(193)	(1,527)	(193)
Ordinary share options exercised under ESS	88	16	88	16
Ordinary shares cancelled	-	(3)	-	(3)
Option rights cancelled	(10)	-	(10)	-
Total changes in outside equity interest	9	1	-	-
Total equity at the end of the financial year	**101,532**	**95,533**	**95,190**	**92,516**

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	Parent Entity 2005 $'000	Parent Entity 2004 $'000
30. DIVIDENDS		
Ordinary Shares		
2004 final dividend of 3.5 cents (2003: 3.5 cents) per fully paid share franked at 30% (2003: 30%)	1,580	1,577
Interim dividend of 3.5 cents (2004: 3.5 cents) per fully paid share franked at 30% (2004: 30%)	1,577	1,583
Less: Satisfied by bonus in lieu plan	(51)	(105)
Total dividends declared	**3,106**	**3,055**
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan		
Paid in cash	2,355	2,337
Satisfied by issue of shares	751	718
	3,106	**3,055**

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 and a special dividend of 3.0 cents per ordinary share, both 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 2005 out of retained profits at 31 July 2005, but not recognised as a liability at year end, is $2,930,000 (2004: $1,586,000)

Franked Dividends

The franked portions of the final and special dividends declared after 31 July 2005 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 2006.

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Franking credits available for subsequent financial years (tax paid basis)	9,897	9,653	9,897	**9,650**

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
(d) franking credits that may be prevented from being distributed in subsequent financial years.

NOTES TO THE FINANCIAL STATEMENTS

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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	Fixed interest maturing in			Non-interest bearing	Total
		<1 year	1 – 5 years	> 5 years		
	$000	$000	$000	$000	$000	$000
2005						
Financial assets						
Cash and deposits	9,959	-	-	-	3	9,962
Receivables	-	-	-	291	1,668	1,959
Investment loans	-	3,591	1,260	-	33	4,884
Other financial assets	-	-	-	-	73,528	73,528
	9,959	**3,591**	**1,260**	**291**	**75,232**	**90,333**
Weighted average interest rate	5.36%	17.29%	20.00%	7.25%		
Financial liabilities						
Payables	-	-	-	-	1,044	1,044
Lease liabilities	-	443	-	-	-	443
Commercial bills	-	-	-	12,550	-	12,550
Market rate facilities	167	-	-	-	-	167
	167	**443**	**-**	**12,550**	**1,044**	**14,204**
Weighted average interest rate	6.87%	8.04%	-	6.24%		
Net financial assets/(liabilities)	**9,792**	**3,148**	**1,260**	**(12,259)**	**74,188**	**76,129**

NOTES TO THE FINANCIAL STATEMENTS

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	Floating interest rate $000	Fixed interest maturing in <1 year $000	1 – 5 years $000	> 5 years $000	Non-interest bearing $000	Total $000
31. FINANCIAL INSTRUMENTS (continued)						
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**	**1,260**	**313**	**69,442**	**81,377**
Weighted average interest rate	5.06%	17.18%	20.00%	6.86%		
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)**	**817**	**313**	**68,340**	**68,755**

(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

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32. REMUNERATION OF DIRECTORS AND EXECUTIVES

Remuneration Philosophy

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

Remuneration Committee

The Board has chosen not to establish a Remuneration Committee given the nature of the company. The company has three non-executive Directors, one executive Director and two other executives. The full Board acts as a Remuneration Committee as and when appropriate.

Remuneration Structure

For non-executive Directors, remuneration is typically by way of Directors' fees as described below.

For the executive Director and two executives, remuneration is by way of a fixed salary component and a discretionary incentive component as described below.

Non-Executive Directors

Persons who were Directors of the company for all of the financial year ended 31 July, 2005 were:

- W.A. Salier, Chairman
- J.E. Gowing, Managing Director
- M.T. Alscher
- J.G. Parker

The remuneration of non-executive Directors is determined in accordance with the Directors' remuneration provisions of the company's constitution. Non-executive Directors do not receive any performance based remuneration.

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

Executives

Executives are officers of the company who are involved in, concerned with, take part in and are able to influence decisions in the management of the affairs of the company. Persons who were executives for all or part of the financial year ended 31 July, 2005 were:

- J.E. Gowing, Managing Director
- J.S. Byers, Executive Officer - Property Division and Company Secretary
- G.J. Grundy, Executive Officer - Investments and Finance.

Executive Remuneration

Executive remuneration is a combination of a fixed total employment cost package and a discretionary incentive component which may be awarded by way of cash bonus or invitation to participate in the company's Employee Share and Option Scheme. Remuneration is referenced to relevant employment market conditions and reviewed annually to ensure it is competitive and reasonable.

32. REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

The incentive component is awarded at the discretion of the Board on the basis of recommendation from the Managing Director. In determining the amount (if any) of bonus payments or of options or shares issued, consideration is given to an executive's effort and contribution towards both the current year performance and the long term performance of the company, the scope of the executive's responsibilities within the company, the scale and complexity of investments required to be managed, the degree of active management required and the degree of skill exhibited in the overall process. Regard is also had to the quantum of an executive's total remuneration.

Staff

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.

Employee Share and Option Scheme

The Company's Employee Share and Option scheme may be utilised as an incentive for employees.

Remuneration and Company Performance

In the current year, the company's net profit after tax grew by 141% and total net assets (adjusted for dividends paid) grew by $20 million or 15.5%. In respect of a longer term comparison of executive and Board remuneration, it is most appropriate to consider the 3 years since the sale and devolution of the company's retail division, because of the subsequent restructuring of the company's activities including the significant reduction in the number of relevant executives with the departure of the retail management team. During the last 3 years the value of the net assets under management has grown organically by an average in dollar terms of $14,330,000 or 12.7% per annum. The total value of this growth in dollar terms is $43,000,000 or 38.2%. Over the 3 year period and consistent with the expanded complexity and increased value generation of the company's operations total executive salaries and Board emoluments has increased on average in dollar terms by $116,338 or 23.3% per annum. This increase in remuneration is equivalent to 0.8% of the average per annum increase in net assets under management. Over the last 3 years total executive salaries and Board emoluments as a proportion of net assets under management has remained steady at 0.62%.

NOTES TO THE FINANCIAL STATEMENTS

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The following tables disclose the remuneration of the Directors of the company for the years ended 31 July 2005 and 31 July 2004 respectively:

2005	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	-	-	-	-	60,000	-	-	60,000
J. E. Gowing	177,064	140,000	9,038	32,472	65,936	-	-	424,510
J. G. Parker	36,000	-	-	-	4,000	-	-	40,000
M. T. Alscher	40,000	-	-	-	-	-	-	40,000
Total	253,064	140,000	9,038	32,472	129,936	-	-	564,510
2004								
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

Executive Remuneration

The following tables disclose the remuneration of the other senior executives of the company for the years ended 31 July 2005 and 31 July 2004 respectively:

2005	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	159,430	95,414	9,038	31,516	38,935	-	-	334,333
G. J. Grundy*	12,232	-	-	-	1,101	-	-	13,333
2004								
J. S. Byers	138,840	91,743	8,096	28,224	20,752	-	-	287,655

* Employment commenced 1 July 2005

NOTES TO THE FINANCIAL STATEMENTS

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Details of Remuneration

The following tables disclose the basis of remuneration for Directors and executives for the years ended 31 July 2005 and 31 July 2004 respectively:

2005	Proportions of elements of remuneration		% of remuneration consisting of options	Value of options movement during year			
	Performance related	Non-performance related		Granted	Exercised	Lapsed	Aggregate
	%	%	%	$	$	$	$
Directors							
W. A Salier	-	100	-	-	-	-	-
J. E. Gowing	33	67	-	-	-	-	-
J. G. Parker	-	100	-	-	-	-	-
M. T. Alscher	-	100	-	-	-	-	-
Executives							
J. S. Byers	29	71	-	-	48,750[3]	-	48,750
G. J. Grundy	-	100	-	-	-	-	-
2004							
Directors							
W. A Salier	-	100	-	-	-	-	-
J. E. Gowing	32	68	-	-	-	-	-
J. G. Parker	-	100	-	-	-	-	-
M. T. Alscher	-	100	-	-	-	-	-
Executive							
J. S. Byers	32	68	-	-	-	-	-

1 Non-monetary benefits include car parking and FBT related charges.
2 Other benefits include motor vehicles and FBT related charges.
3. 25,000 options converted into 25,000 ordinary shares at $1.95 per share.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
33. REMUNERATION OF AUDITORS				
Audit and review of the entity or any entity in the consolidated entity	78	68	78	68
Tax and other advisory services	48	46	48	46
	126	**114**	**126**	**114**

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

34. COMMITMENTS FOR EXPENDITURE

Capital Commitments

The company has uncalled capital commitments of up to $6,837,910 over a period of up to 10 years in relation to private equity and property fund investments held at year end. Refer "At a Glance" on page 5 for further details.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Lease Commitments				
Finance Leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	454	589	454	589
Later than one year but not later than 5 years	-	454		454
Minimum lease payments	**454**	**1,043**	**454**	**1,043**
Less: Future finance charges	(11)	(70)	(11)	(70)
Total lease liabilities	**443**	**973**	**443**	**973**
Representing lease liabilities:				
Current (note 20)	443	530	443	530
Non-current (note 23)	-	443	-	443
	443	**973**	**443**	**973**

35. EMPLOYEE ENTITLEMENTS

	Consolidated 2005	Consolidated 2004	Parent Entity 2005	Parent Entity 2004
Employee Entitlement Liabilities				
Provision for employee entitlements (note 25)	65	62	65	62
Accrual for annual leave	40	47	40	47
Other payables	363	367	360	364
	468	**476**	**465**	**473**
Number of employees at 31 July	10	9	10	8

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 2004.

Remuneration

Information on remuneration of directors is disclosed in note 32.

Shares

All shares were held beneficially by the directors.

	Shares Held as at 31 July 2004	Shares Acquired/(Disposed) During the Year	Shares Held as at 31 July 2005
	No.	No.	No.
W. A. Salier	45,551	1,223	46,774
J. E. Gowing	8,495,114	7,708,958	16,204,072
M. T. Alscher	233,986	6,996	240,982
J. G. Parker	40,000	-	40,000

Loans to Directors and Executives

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

	Consolidated and parent entity				
	2005	2005	2005	2004	2004
	$	$	$	$	$
	QRS Investments	J. S. Byers	Total	QRS Investments	Total
Balance brought forward	313,292	-	313,292	326,037	326,037
Cash advances	-	48,750	48,750	-	-
Interest charged	22,060	-	22,060	21,955	21,955
Repayments	(44,000)	(5,375)	(49,375)	(34,700)	(34,000)
Current balance	291,352	43,375	334,727	313,292	313,292

Interest is charged on the balance of the secured loan at a rate of 7.25% (2004: 6.86%). The loan was made to QRS Investments 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.

The loan made to J. S. Byers is interest free and was made in order to allow the executive to participate in the Gowing Bros. Employee Share and Option Plan. The loan is effectively secured as the title to the shares reverts to Gowing Bros. in the event of default.

36. RELATED PARTIES (continued)

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 $10,889 (2004: $3,059) paid during the current financial year to Messrs Pigott Stinson Ratner Thom Solicitors, of which Mr W. A. Salier is a lawyer.

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

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 (2004: 500,000) ordinary shares in Crescent Capital Partners Limited. The parent entity has committed $2,685,000 (2004: $2,625,000) to the Crescent Capital Partners Growth Fund. At balance date $2,255,400 (2004: $1,916,250) has been invested.

The parent entity holds 817,810 (2004: 817,810) ordinary shares in Crescent Capital Partners Management Pty Limited. The parent entity has committed $4,000,000 (2004: $4,000,000) to the Crescent Capital Partners II Limited Partnership. At balance date $1,100,000 (2004: $220,000) has been invested.

(c) QRS Investments Pty Limited

During the year Gowing Bros. Ltd paid QRS Investments Pty Limited, $40,000 (2004: $30,000) (plus the applicable GST) for services rendered by M. T. Alscher in his capacity as a director of Gowing Bros. Ltd. These payments were applied against the loan provided to QRS Investments Pty Limited.

(d) Former Director

During the year benefits provided to a former Director, Mr E. J. Gowing, totalled $5,767 (2004: $9,756).

36. RELATED PARTIES (continued)

(e) Other transactions with Directors and Executives

No transactions this financial year (2004: 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).

(f) Creative License Pty Limited

A director related entity of J.E. Gowing. During the year the company paid fees amounting to $5,308 (2004: $17,262) to Creative License for services rendered in the production of the company's printed documentation. All fees charged were on a commercial basis.

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 2005 and 2004 consisted of:

(a) loans advanced by Gowing Bros. Limited

(b) loans repaid to Gowing Bros. Limited

(c) dividends received from controlled entities $345,000 (2004: $1,081,331)

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

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'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	501	2,368	501	2,368
Interest revenue	-	9	-	9

37. INVESTMENTS IN ASSOCIATES

G Retail Limited (previously Gowings Retail Limited) was an equity accounted associate until 31/10/2004. Gowing Bros. Limited holding was diluted to 19.58% after a rights issue completed by G Retail Limited on 29/12/2004 and this current financial asset is included at market value in the consolidated statement of financial position.

Information relating to G Retail Limited is set out below:

Traded on organised markets	Principal Activity	Ownership interest 2005 %	Ownership interest 2004 %	Consolidated carrying amount 2005 $'000	Consolidated carrying amount 2004 $'000	Parent entity carrying amount 2005 $'000	Parent entity carrying amount 2004 $'000
G Retail Ltd	Retail	19	36	882	2,221	882	5,496

	Consolidated 2005 $'000	Consolidated 2004 $'000
Movements in carrying amounts of investments in associates and G Retail Ltd		
Carrying amount at the beginning of the year	**2,221**	**8,865**
Equity accounted share of operating losses after income tax	(2,061)	(3,429)
Dividend received	-	(3,165)
Shares acquired in G Retail Ltd	-	210
Bayview Heights Estate now a controlled entity	-	(160)
Investment in Healesville surrendered on liquidation	-	(100)
Add: revaluation to market value	722	-
Carrying amount at the end of the year	**882**	**2,221**
Results attributable to associates		
Operating losses before income tax	(2,061)	(3,410)
Income tax expense	-	(19)
Operating losses after income tax	**(2,061)**	**(3,429)**
Retained profits attributable to associates at the beginning of the year	50	3,479
Retained profits attributable to associates at the end of the year	**-**	**50**

38. INTERESTS IN JOINT VENTURES

Joint venture operations

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.

A controlled entity, Zarlee Pty Limited, has entered into a joint venture operation named Macleay Retail Development for a neighbourhood shopping centre development. The controlled entity has a 50% participating interest in this joint venture and is entitled to 50% of its output.

The parent entity has entered into a joint venture operation known as Regional Retail Properties, for long term investments in small regional retail centres. The parent entity has a 50% interest in the joint venture and is entitled to 50% of its output.

The consolidated entity's interests in the assets employed in the joint ventures are included in the consolidated statement of financial position, in accordance with the accounting policy described in note 1(q), under the following classifications:

	Consolidated	
	2005 $'000	2004 $'000
Current assets		
Cash	63	56
Other	358	762
Total current assets	**421**	**818**
Non-current assets		
Development properties	685	738
Total non-current assets	1,144	738
Share of assets employed in joint venture	**1,565**	**1,556**

2005: Nil. (2004: Gowing Bros. Limited has provided a conditional limited interest shortfall guarantee to the extent of its 50% interest in the Bunya Pines Estate joint venture in respect of a bank loan facility for stages two and three of the joint venture. The bank loan is in all other respects a loan with recourse only to the joint venture assets).

$1.0 million is secured against the Tattersalls Hotel investment property and guarantees from the parent entity. $1.55 million is secured against the Bowral, Forster and Eumundi investment properties.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

39. INVESTMENTS IN CONTROLLED ENTITIES

	Country of Incorporation	Class of Share	Equity Holding 2005 %	2004 %
Parent company				
Gowing Bros. Ltd				
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	100
Gowings Properties Pty Limited	Australia	Ordinary	50	50
Gowings Kempsey Pty Limited	Australia	Ordinary	100	100
Zarlee Pty Limited	Australia	Ordinary	100	-

	Consolidated 2005	2004
40. EARNINGS PER SHARE		
Basic earnings per share (cents)	21.71c	8.97c
Diluted earnings per share (cents)	21.71c	8.97c
Weighted average number of ordinary shares on issue	45,108,018	45,206,664
Net profit after tax excluding outside interests	**$9,795,000**	**$4,056,000**

Options

No options were on issue at year end (2004: 74,000).

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
41. RECONCILIATION OF NET PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES				
Profit from ordinary activities after income tax	9,804	4,057	6,479	10,840
Amortisation of interest rate swap	26	26	26	26
Depreciation	300	314	300	314
(Profit)/loss on disposal of plant & equipment	-	(7)	-	(7)
Finance lease charge	-	100	-	100
Gain on disposal of property	(293)	(843)	-	-
Net gain on sale of investments	(7,518)	(680)	(7,518)	(601)
Dividends received from controlled entities	-	-	-	(1,081)
Share of profits of associates not received as dividends	2,061	3,429	-	-
Revaluation of investments to market value	347	1,855	5,683	1,855
Provision for doubtful debts	(14)	(17)	(14)	(17)
Provision for employee entitlements	2	6	2	6
Decrease/(increase) in receivables	81	(245)	(354)	(83)
Decrease/(increase) in investments	-	2,897	-	(268)
Decrease/(increase) in prepayments	(174)	273	(149)	273
Decrease/(increase) in tax receivable	-	-	-	(70)
Decrease/(increase) in future income tax benefit	209	(613)	209	(613)
Increase/(decrease) in trade creditors and accruals	(62)	173	336	(182)
Increase/(decrease) in provision for income taxes payable	(562)	919	(716)	1,220
Increase/(decrease) in provision for deferred income tax	97	230	97	230
Net cash inflow from operating activities	**4,304**	**11,874**	**4,381**	**11,942**

42. 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 30.

43. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL STANDARDS

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to the International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 31 July 2005.

Impact of transition to AIFRS

The impact of transition to AIFRS, including the transitional adjustments disclosed in the reconciliation from current Australian GAAP to AIFRS, and the selection and application of AIFRS accounting policies, are based on AIFRS standards that management expect to be in place, or where applicable, early adopted, when preparing the first complete AIFRS financial report (being the half year ending 31 January 2006). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the company's and consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, therefore further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

The rules for first time adoption of AIFRS are set out in AASB1. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 August 2004.

The company has analysed and quantified below what the effects of the change in accounting standards would be to the statement of financial performance and to the statement of financial position that are reported at 31 July 2005 under Australian Generally Accepted Accounting Principles ("AGAAP"). Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 August 2004. Whilst there may be changes to these figures as a result of future pronouncements or clarifications from the AASB, the below quantifications are held to be materially correct at the time of publication.

a) Investments in listed entities

Under current AGAAP, the consolidated entity's investments in listed entities have been recognised at cost with a provision for diminution in value. Although the consolidated entity invests for the long term, under AIFRS these investments will be deemed to be "available-for-sale equity investments" and will be recognised at fair value when AASB139 is applied. The impact of this change is expected to increase the carrying value of investments in other corporations and the revaluation reserve as at 1 August 2005 by $39,118,834 (31 July 2004: $29,422,583) in the consolidated entity.

43. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL STANDARDS (continued)

b) Taxation

On transition to AIFRS, the balance sheet method of tax effect accounting will be adopted rather than the income statement method adopted currently under AGAAP. Under the balance sheet approach, income tax on the profit for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at reporting date together with any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes. The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability using tax rates enacted or substantively enacted at reporting date. A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utlised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

The expected impact on the consolidated entity at 1 August 2005 of the change in basis and the transition adjustments on the deferred tax balances is an increase in deferred tax liability of $8,479,840 and a decrease in reserves of the same amount. The expected impact on the consolidated entity of the change in basis for the financial year ended 31 July 2004 is an increase in deferred tax liability of $4,515,701 and a decrease in reserves of the same amount.

c) Reserves

The expected impact on the consolidated entity at 31 July 2005 is a balance of $30,787,319.

d) Investment properties

The company has elected for investment properties to be measured at cost. Investment properties will be carried at cost and will be depreciated.

e) Summary of transitional adjustments

The following table sets out the parent and consolidated entity's statement of financial position at 31 July as currently reported under AGAAP and the expected adjustments to be made in adopting AIFRS.

43. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL STANDARDS (continued)

Balance Sheet (formerly Statement of Financial Position)

	Consolidated			Parent		
	AGAAP	Transition Impact	AIFRS	AGAAP	Transition Impact	AIFRS
	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	16,453	-	16,453	16,793	-	16,793
Non-current assets – investments (a)	100,854	39,119	139,973	101,147	39,117	140,264
Total assets	117,307	39,119	156,426	117,940	39,117	157,057
Current liabilities	2,284	-	2,284	2,125	-	2,125
Non-current liabilities – Deferred tax (b)	13,491	8,480	21,971	20,625	8,332	28,957
Total liabilities	15,775	8,480	24,255	22,750	8,332	31,082
Net assets	101,532	30,639	132,171	95,190	30,785	125,975
Equity – contributed equity	7,110	-	7,110	7,110	-	7,110
Reserves (a),(b),(c)	25,965	30,787	56,752	25,965	30,785	56,750
Retained profits	68,448	(148)	68,300	62,115	-	62,115
Outside equity interest	9	-	9	-	-	-
Total equity	101,532	30,639	132,171	95,190	30,785	125,975

Income Statements (formerly Statements of Financial Performance)
No impact on the income statement.
Statements of Cash Flows
No impact on the statements of cash flows.

44 . 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 (0)2 8234 5000, Facsimile + 61 (0)2 8234 5050.

DIRECTORS' DECLARATION

31 JULY 2005

The directors declare that the financial statements and notes set out on pages 22 to 60:

(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 2005 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.

The directors have been given the declarations by the Managing Director and Executive Officer - Investment and Finance required by section 295A of the *Corporations Act 2001*.

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

W. A. SALIER
Director

J. E. GOWING
Director

Sydney
23 September 2005

AUDITORS' INDEPENDENCE DECLARATION

31 JULY 2005

To the Directors of Gowing Bros. Limited:

As lead auditor for the audit of Gowing Bros. Limited for the year ended 31 July 2005, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Gowing Bros. Limited and the entities it controlled during the year.

S.K. PREEN
Partner
HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

Sydney
23 September 2005

INDEPENDENT AUDIT REPORT

31 JULY 2005

To the members of Gowing Bros. Limited.

Scope

The financial report and director's responsibility.

The financial report comprises the statement of financial position as at 31 July 2005, 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 2005 for both Gowing Bros. Limited ("the company") and Gowing Bros. Limited and its controlled entities ("the consolidated entity") as set out on pages 22 to 61. 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.

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*.

INDEPENDENT AUDIT REPORT

31 JULY 2005

The Directors' Report attached to the financial statements includes a copy of the Independence Declaration dated 23 September 2005 given to the Directors by the lead auditor for the audit. That Declaration would be in the same terms if it had been given to the Directors at the time this audit report was made.

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 2005 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 2005

MARKET VALUE OF INVESTMENTS

31 JULY 2005

Investments Shares / Notes / Options	Share No.	Market Value $
Alesco Corporation Limited	360,000	2,761,200
ARB Corporation Limited	300,000	978,000
Australia and New Zealand Banking Group Limited	138,865	2,980,043
Aspen Group Limited	1,118,139	229,218
Australian Gas Light Company (The)	80,000	1,145,600
BHP Billiton Limited	389,353	7,537,874
Blackmores Limited	193,812	2,616,462
Carlton Investments Limited	156,370	2,392,461
Coates Hire Limited	320,000	1,536,000
Ebet Limited	7,000	203,000
Everest Babcock & Brown Alternative Inv Group	100,000	453,000
Fleetwood Corporation Limited	175,000	1,144,500
Flight Centre Limited	16,000	240,000
Gowings Retail Limited	7,350,001	882,000
Harvey Norman Holdings Limited	250,000	677,500
Hills Industries Limited	525,060	2,362,770
Invocare Limited	450,000	1,926,000
John Fairfax Holdings Limited	700,000	3,087,000
Lend Lease Corporation Limited	25,000	327,000
Macquarie Equities (Macquarie Bank Limited)	60,000	3,780,000
National Australia Bank Limited	100,000	3,125,000
News Corporation Limited	25,000	574,000
Noni B Limited	572,016	1,801,850
Rio Tinto Limited	42,000	2,063,040
Resmed Inc	50,000	439,000
Rural Press Limited	110,000	1,185,800
Rural Press Limited pref. shares	50,000	540,000
SFE Corporation Limited	150,000	1,660,500
Souls Private Equity Ltd	1,000,000	210,000
SP Telemedia Limited	457,286	749,949
St George Bank Limited	80,000	2,136,800
Vision System Limited	400,000	484,000
Washington H Soul Pattinson & Company Limited	500,000	4,800,000
West Australian Newspapers Holdings Limited	115,009	1,001,728
Westpac Banking Corporation	309,400	6,110,650
Woodside Petroleum Limited	79,974	2,419,214
Woolworths Limited	180,000	2,952,000
Other		144,909
Sub total shares / notes and options		**69,658,068**

MARKET VALUE OF INVESTMENTS

31 JULY 2005

Private Equity Investments	Market Value $
MEIF Sophisticated Investor Fund	1,005,239
MIT IIIA	715,000
Crescent Capital Partners Limited	350,000
Crescent Capital Partners Growth Fund	2,040,600
Crescent Capital Partners II LP	453,200
Gowings Property Development Fund	680,000
Other investments	725,070
Sub-total private equity investments	**5,969,109**
Total investments	**73,627,177**

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 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 14.

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.

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

CORPORATE GOVERNANCE STATEMENT

Name	Term in office	Name	Term in office
Tony Salier	31 years	Michael Alscher	6 years
John Gowing	23 years	John Parker	4 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

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 page 17 of the Directors' Report. 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, to non-executive Directors.

ISSUES TO SHAREHOLDERS SINCE 19 SEPTEMBER 1985

(COMMENCEMENT OF CAPITAL GAINS TAX)

DATE	PARTICULARS	ISSUED FROM	ISSUE PRICE $
31/10/85	Bonus issue in lieu	Asset Revaluation Reserve	
30/4/86	Bonus issue in lieu	Asset Revaluation Reserve	
31/10/86	Bonus issue in lieu	Asset Revaluation Reserve	
16/3/87	1 for 2 bonus issue	Asset Revaluation Reserve	
30/4/87	Bonus issue in lieu	Asset Revaluation Reserve	
30/4/88	Dividend Re-investment	Accumulated profits	2.50
31/10/88	Dividend Re-investment	Accumulated profits	3.70
30/4/89	Dividend Re-investment	Accumulated profits	3.75
30/4/89	Special Scrip dividend	Accumulated profits	
16/11/89	Dividend Re-investment	Accumulated profits	4.35
31/10/90	1 for 10 Bonus ssue	Share Premium – Special Dividend Reserve	
31/10/91	1 for 20 Bonus issue	Share Premium Reserve	
30/4/92	Dividend Re-investment	Accumulated profits	3.75
30/10/92	Dividend Re-investment	Accumulated profits	3.80
29/10/93	Dividend Re-investment	Accumulated profits	3.60
29/4/94	Dividend Re-investment	Accumulated profits	3.50
28/4/95	Dividend Re-investment	Accumulated profits	2.60
28/4/95	Bonus in Lieu Share Plan	Share Premium Reserve	
3/10/95	1 for 10 Bonus issue	Share Premium Reserve	
31/10/95	Dividend Re-investment	Accumulated profits	3.00
31/10/95	Bonus in Lieu Share Plan	Share Premium Reserve	
26/4/96	Dividend Re-investment	Accumulated profits	2.90
26/4/96	Bonus in Lieu Share Plan	Share Premium Reserve	
30/10/96	Dividend Re-investment	Accumulated profits	3.10
30/10/96	Bonus in Lieu Share Plan	Share Premium Reserve	
25/4/97	Dividend Re-investment	Accumulated profits	4.50
25/4/97	Bonus in Lieu Share Plan	Share Premium Reserve	
15/5/97	2 for 1 Share Split		
31/10/97	Dividend Re-investment	Accumulated profits	2.60
31/10/97	Bonus in Lieu Share Plan	Share Premium Reserve	
30/4/98	Dividend Re-investment	Accumulated profits	2.35
30/4/98	Bonus in Lieu Share Plan	Share Premium Reserve	
3/11/98	Dividend Re-investment	Accumulated profits	2.10
3/11/98	Bonus in Lieu Share Plan		
28/4/99	Dividend Re-investment	Accumulated profits	1.90
28/4/99	Bonus in Lieu Share Plan		
18/11/99	Dividend Re-investment	Accumulated profits	1.95
18/11/99	Bonus in Lieu Share Plan		
28/4/00	Dividend Re-investment	Accumulated profits	1.95
28/4/00	Bonus in Lieu Share Plan		
27/10/00	Dividend Re-investment	Accumulated profits	1.80
27/4/01	Dividend Re-investment	Accumulated profits	2.36
19/10/01	Dividend Re-investment	Accumulated profits	1.95
18/12/01	In Specie distribution	G Retail Ltd shares issued on listing	
22/4/02	Dividend Re-investment	Accumulated profits	1.90
25/10/02	Dividend Re-investment	Accumulated profits	1.80
18/12/02	Dividend Re-investment	Accumulated profits	1.95
24/4/03	Dividend Re-investment	Accumulated profits	1.90
24/10/03	Dividend Re-investment	Accumulated profits	2.40
24/10/03	Bonus in Lieu Share Plan		
23/4/04	Dividend Re-investment	Accumulated profits	2.40
23/4/04	Bonus in Lieu Share Plan		
25/10/04	Dividend Re-investment	Accumulated profits	2.55
22/4/05	Dividend Re-investment	Accumulated profits	2.70
22/4/05	Bonus in Lieu Share Plan		

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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