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GOWING BROS

ANNUAL REPORT

YEAR ENDED 31 JULY

2006

INVESTING TOGETHER
FOR A SECURE FUTURE

INVESTING TOGETHER
FOR A SECURE FUTURE

GOWING BROS. LIMITED
ACN 000 010 471

"It's our money too"

JOHN ELLIS GOWING

INVESTING TOGETHER
FOR A SECURE FUTURE

GOWING BROS. LIMITED
ACN 000 010 471

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GOWINGS RECORD PROFIT AND INCREASED FINAL DIVIDEND

On behalf of your Board of Directors and Management, I am pleased to comment on the results for the year ended 31 July 2006.

RECORD NET PROFIT

The past year was a watershed in the company's 138 year history, the highlight being the sale of the Market Street building for $68.6 million. The property was purchased in 1928 by my grandfather P. L. Gowing and subsequently developed for a total cost of only £300,000. The sale captured the true value of the property and generated both a substantial capital profit and a significant increase in the net tangible asset backing of the company's shares.

The decision to sell the Market Street building was taken after a management review of comparative returns over 40 years to our listed equities portfolio, which clearly demonstrated that not only were the returns from the listed equities portfolio consistently higher than those from the building, but they also involved less intrinsic risk.

The record net profit after tax of $25.5 million (2005: $9.4 million) included $18 million from the sale of Market Street, which was tax free having been acquired prior to the imposition of capital gains tax. Operating profit from maintainable earnings before tax of $4.4 million (2005: $5.2 million), as foreshadowed in the interim report, was lower due to the impact on rental receipts of the G Retail administration and lower interest receipts from our mezzanine loan portfolio, which has now been fully realised.

RECORD GROWTH IN NET ASSETS PER SHARE

Our net assets per share increased 26.5% during the year to a record $3.87 per share (2005: $3.16). This increase was underpinned by both the sale of Market Street and also a portfolio return of 17% from our listed Australian equity portfolio. Refer "Summary Financial Results" and "Gowings at a Glance" following.

42% INCREASE IN FINAL FULLY FRANKED DIVIDEND

The Directors have declared a substantially higher fully franked final dividend of 5c per share (2005: 3.5c), reflecting the Directors' expectation of higher future maintainable investment returns from the redeployment of the capital previously tied up in the building. The ex-dividend date is 5 October 2006 and the dividend payment date is 25 October 2006.

REVIEW OF INVESTMENTS

Our listed Australian equity portfolio posted strong returns during the year driven by solid capital growth in our resource and energy stocks. During the year we took advantage of market weakness to top up on a number of these holdings including Woodside Petroleum, Rio Tinto and BHP. Following these purchases, we now have a portfolio weighting of approximately 25% in resource and energy stocks. We remain comfortable with the future prospects for these companies in line with the continued growth in the economies of China and India and also in a stable outlook for the USA.

We have continued to focus on investing in Australian companies with sound franchises operating in good industries and that have strong cash flows. New investments made during the year or "top-ups" made to existing investments include; Aditya Birla Minerals, Australian Agricultural Co, Australian Stock Exchange, ARB Corporation, Aspen Corporation, Babcock and Brown, Coffey International, Commonwealth Bank of Australia, Concept Hire, Emeco, Fleetwood, IAG, Macquarie Airports, Noni B, Record Investments, Rinker, St George Bank, SP Telemedia, Transurban, Vision Systems and Adsteam Marine (the last two of these companies subsequently becoming takeover targets).

GOWINGS OPEN TO GLOBAL OPPORTUNITIES

As we monitor the performance of existing investments and seek new opportunities, it has become obvious to us just how small the Australian investment universe is. The Australian equities market has been a remarkable performer, for which we are all thankful. We feel it would be unacceptably restrictive, however, if we were to limit the scope of our investment activity to the Australian market alone. The simple fact is that many high growth global opportunites are not represented in the Australian stock market. To gain access to the best companies in the world, we need to widen our investment horizons. In the future, when Gowings is looking to make an investment, our preference will be to choose an Australian company. If, however, the best value is reflected by a foreign company rather than an Australian one, we will take the option that provides the best returns to our shareholders.

GOWINGS TODAY – A PROFILE

Gowings provides shareholders with access to a carefully composed portfolio of listed Australian and international equities, well positioned retail and commercial properties and higher yielding alternative assets including private equity and absolute return investments.

Who we are:-

- Gowings is an inter-generational value-focused wealth manager, where all the decision makers are shareholders.
- Gowings is a group of experienced like-minded people who work together daily to locate and assess opportunities and make investment and capital allocation decisions.
- Gowings' objective is to provide shareholders with growing maintainable fully franked dividends, together with solid capital appreciation of underlying investments.
- Gowings is a long-term investor.

Who we are not:-

- Gowings is not a short-term investor.
- Gowings is not a property group.
- Gowings is not a portfolio or index investor.
- Gowings is not externally managed.

OUTLOOK

Shareholders, when considering the new financial year, should understand that a repeat of the outstanding returns experienced over the last three years is unlikely. Nevertheless, there are always good investment opportunities for those who put in the time to do the analysis. Gowings today is well positioned with over $50 million in the bank, particularly if the current period of volatility continues.

John Gowing
Managing Director

12 October 2006

SUMMARY FINANCIAL RESULTS

AS AT 31 JULY 2006

As at 31 July	2006 $'000	2005 $'000
Investment management	4,010	4,113
Property management	957	2,196
Property development	861	47
Overheads	(1,414)	(1,190)
Operating profit before tax	**4,414**	**5,166**
Significant Items		
- Profit on sale of Market Street	18,065	-
- Gain on sale of long term listed equities	965	7,518
- Net distributions from managed private equity	487	664
- Unrealised gains from private equity	1,285	(608)
- Revaluation of 'current' investments	(882)	(347)
- Equity accounted loss of associate (G Retail Limited)	-	(2,061)
- Revaluation of leasehold improvements	(596)	-
Net profit from significant items	**19,324**	**5,166**
Net profit before tax	**23,738**	**10,332**
Income tax (credit) expense	(1,778)	934
Minority interests	6	(9)
Net profit after tax	**25,522**	**9,389**

NET ASSETS PER SHARE

As at 31 July	2006	2005
Net assets at market value	$170,063,000	$142,573,000
Shares outstanding	43,865,262	45,081,822
Net assets per share	$3.87	$3.16
Reconciliation of movement in net assets		
Opening net assets per share	$3.16	$2.84
Less dividends paid	$0.10	$0.07
Adjusted value	$3.06	$2.77
Closing net assets per share	$3.87	$3.16
Movement - $ increase (12 months)	$0.81	$0.39
Movement - % increase (12 months)	**26.5%**	**14.1%**

NOTE: 2005 has been restated to AIFRS for comparative purposes.

GOWINGS "AT A GLANCE"

AS AT 31 JULY 2006

INVESTMENT PORTFOLIO at Market Value	
Listed equities*	$97,553,000
Private equity investments**	$10,590,000
Net other assets	$3,318,000
Cash and fixed interest	$53,942,000
TOTAL INVESTMENT PORTFOLIO	**$165,403,000**

PROPERTY PORTFOLIO at Market Value	
Investment property by sector	
Retail	$9,200,000
Commercial	$282,000
Industrial	$968,000
Residential	$3,337,000
Total investment property	**$13,787,000**
Development property	**$873,000**
Less debt	($10,000,000)
TOTAL PROPERTY PORTFOLIO	**$4,660,000**

NET ASSETS (before tax on unrealised gains)	**$170,063,000**
Which equates to a market value per share of ^	**$3.87**

^$170,063m/43,865,262 shares on issue

NET ASSETS (after estimated tax of $11,829,000 on unrealised gains)	**$158,234,000**
Which equates to a market value per share of	**$3.61**

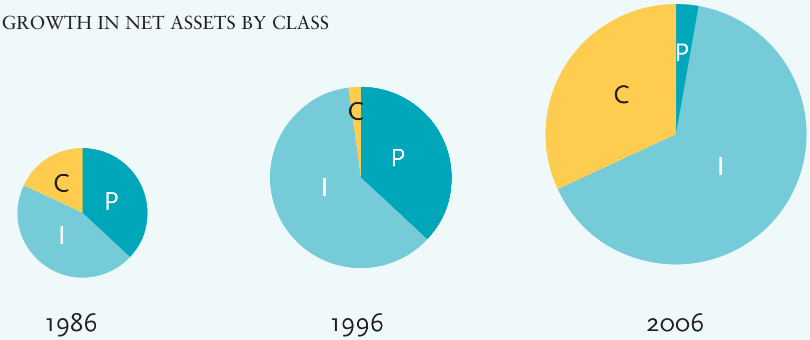
*10 LARGEST EQUITY HOLDINGS	
BHP Billiton Limited	$13,034,000
Westpac Banking Corporation	$6,807,000
Woodside Petroleum Limited	$5,561,000
Rio Tinto Limited	$5,354,000
Washington H Soul Pattison Limited	$3,900,000
Macquarie Bank Limited	$3,711,000
Australian Stock Exchange Limited	$3,648,000
National Australia Bank Limited	$3,590,000
ANZ Banking Group Limited	$3,506,000
Woolworths Limited	$3,427,000
Other holdings	$45,015,000
TOTAL	**$97,553,000**

**PRIVATE EQUITY INVESTMENTS	
Macquarie Investment Trust IIIA	$380,000
Crescent Capital Partners Growth Fund	$2,102,000
Crescent Capital Partners II LP	$2,231,000
Macquarie Wholesale Co-Investment Fund	$2,579,000
Macquarie European Infrastructure Fund	$1,616,000
Gowings Property Development Fund	$986,000
Other investments	$696,000
TOTAL	**$10,590,000**

Note: Valuations are made before tax on unrealised capital gains. Private equity valuations are based on 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 auditors, valuers and joint venture partners.

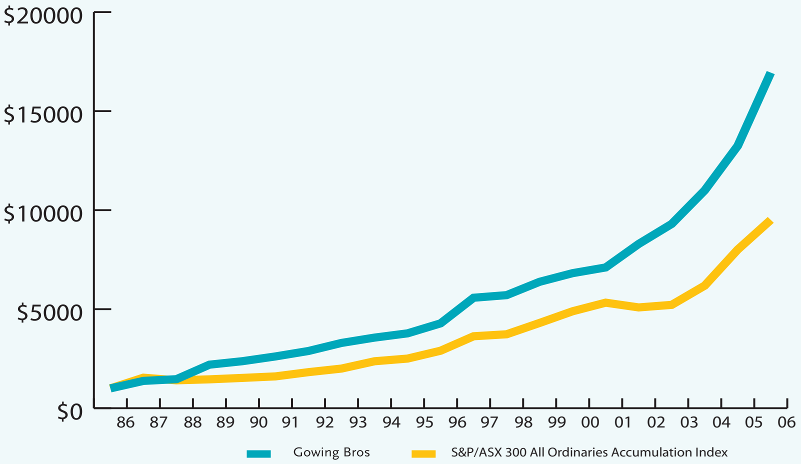
OUR TRACK RECORD

GROWTH IN NET ASSETS BY CLASS



Net Assets	1986	%	1996	%	2006	%
Property (P)	$12,000,000	37	$34,594,000	37	$4,660,000	2
Investment (I)	$14,484,567	45	$56,845,000	61	$111,461,000	66
Cash (C)	$5,816,119	18	$1,038,000	2	$53,942,000	32
Total	$32,300,686	100	$92,477,000	100	$170,063,000	100
Dividends Paid	1976-1986 $2,626,588		1987-1996 $19,455,193		1997-2006 $54,944,446	

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. (Hons) (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 36 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 38 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, trusts and companies with a combined investment portfolio exceeding $100 million.

John Gowing — Bachelor of Commerce, CA, CPA

Managing Director

John has continued the tradition of success at Gowing Bros. during his 19 years at the helm.

John is only the fourth Managing Director of Gowing Bros. in 137 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.

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 23 years of equities research and funds management experience. After spending 4 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 Global Markets Australia) 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 12 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, SA Fin

Executive Officer – Investment and Finance

Garth joined Gowing Bros. in February 2005 after having consulted to the company for 3 years.

Garth has over 14 years of investment and finance experience gained from his past employment with corporate advisory firm Coyne Capital, investment bank Hindal Corporate, and the corporate finance division of Ernst and Young (previously Arthur Andersen).

Garth is a senior associate of the Financial Services Institute of Australasia (FINSIA) and a member of the Institute of Chartered Accountants in Australia (CA).

NOTES

FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

The financial report was authorised by the Directors on 12 October 2006.
The company has the power to amend and reissue the financial report.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2006

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 2006.

Consolidated Results

	2006 $'000	2005 $'000
Operating profit for the year before income tax	23,738	10,332
Income tax expense (credit)	(1,778)	934
Net profit after income tax	25,516	9,398
Net loss (profit) attributable to minority interests	6	(9)
Net profit attributable to members of Gowing Bros. Ltd	25,522	9,389

Dividends	
A final fully franked dividend of 5.0 cents per share is payable on 25 October 2006.	$2,194,477
An interim fully franked dividend of 3.5 cents per share was paid to shareholders on 24 April 2006.	$1,540,009
A final fully franked dividend of 3.5 cents per share was paid to shareholders on 25 October 2005 in accordance with last year's annual report.	$1,539,093
A special fully franked LIC capital gains tax dividend of 3.0 cents per share was paid to shareholders on 25 October 2005 in accordance with last year's annual report.	$1,383,052

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 to 5.

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 2006

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 Director's Review of Operations on pages 2 - 5.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2006

Information on Directors

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

	Directors' Interests in Shares and Options of Gowing Bros. Limited Shares	Options
W. A. Salier - Chairman Non-executive Bachelor of Arts, LL.B. (Syd), LL.M. (Harvard), H.L.N.S. (Syd) Director since 1974 Member of the Audit Committee Mr Salier is a solicitor with 38 years experience No directorships held in other listed companies over past 4 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 4 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 4 years - G Retail Limited - resigned May 2004 - Gowing Bros. Limited - resigned 6 July 2006	246,582	-
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 4 years	40,000	-

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2006

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	10	10	2	2
J. E. Gowing	10	10	n/a	n/a
M. T. Alscher	10	8	2	1
J. G. Parker	10	8	2	2

REMUNERATION REPORT

Remuneration of Directors and Executives

Remuneration Philosophy (audited)

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 (audited)

The Board has chosen not to establish a Remuneration Committee given the nature of the company. Following the resignation of Mr M. T. Alscher as a Director during the year, the company has two non-executive Directors, one executive Director and two other executives. The full Board acts as a Remuneration Committee as and when appropriate.

Remuneration Structure (audited)

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 (audited)

Persons who were non-executive Directors of the company for part or all of the financial year ended 31 July 2006 were:

- W.A. Salier, Chairman
- M.T. Alscher - resigned 6 July 2006
- J.G. Parker.

The remuneration of non-executive Directors is determined in accordance with the Directors' remuneration provisions of the company's constitution. Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive Directors' fees and payments are reviewed annually by the board in line with the market. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2006

The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive Directors do not receive any performance based remuneration or share options.

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

Executives (audited)

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 2006 were:

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

Executive Remuneration (audited)

Executive remuneration is a combination of a fixed total employment costs package and a discretionary incentive element which may be awarded by cash bonus or by invitation to participate in the company's Employee Share & Option Scheme or Deferred Employee Share Plan 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 responsibility 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 to be had to the quantum of an executive's total remuneration.

Staff (audited)

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 & Option Scheme and Deferred Employee Share Plan Scheme (audited)

The company's Employee Share & Option scheme and Deferred Employee Share Plan Sceme 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 172.4% and total net assets (adjusted for dividends paid) grew by $27.49 million. After adjustment for dividends paid during the year of $4.46 million and share buy backs of $3.5 million, the actual increase in total net assets was $35.45 million or 25%. In respect of a longer term comparison of executive and Board remuneration, it is most appropriate to consider the 4 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 4 years the value of the net assets under management has grown organically by an average in dollar terms of $19,220,000 or a compound return of 14% per annum. The total value of this growth in dollar terms is $76,880,000 or 67%. Over the 4 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 $126,100 or 23% per annum. This increase in remuneration is equivalent to 0.66% of the average per annum increase in net assets under management. Over the last 4 years total executive salaries and Board emoluments as a proportion of total assets under management has remained steady at an average of 0.66%.

Director Remuneration (audited)

2006	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	-	-	-	-	61,111	-	-	61,111
J. E. Gowing	182,064	140,000	7,625	38,736	16,386	-	-	384,811
J. G. Parker	39,722	-	-	-	-	-	-	39,722
M. T. Alscher	39,722	-	-	-	-	-	-	39,722
Total	261,508	140,000	7,625	38,736	77,497	-	-	525,366

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 (audited)

2006	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	169,725	120,000	7,625	35,184	15,275	-	-	347,809
G. J. Grundy	146,789	11,000	-	-	13,211	-	-	171,000

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

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2006

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

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

Details of Remuneration (audited)

The following table discloses the basis of remuneration for Directors and executives for the years ended 31 July 2006 and 31 July 2005 respectively:

2006	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	36	64	-	-	-	-	-
J. G. Parker	-	100	-	-	-	-	-
M. T. Alscher	-	100	-	-	-	-	-
Executives							
J. S. Byers	35	65	-	-	-	-	-
G. J. Grundy	6	94	-	-	-	-	-

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	-	-	-	-	-

3 25,000 options converted into 25,000 ordinary shares at $1.95 per share.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2006

Basis of Employment (audited)

Remuneration and other terms of employment for the Managing Director, executives and other key management personnel are approved by the Board of Directors and provide for the provision of performance-related cash bonuses, other benefits including health insurance, car allowances and tax advisory services.
Other major provisions relating to remuneration are set out below.

J.E. Gowing, *Managing Director*

- Term – indefinite.
- Base salary, inclusive of superannuation, for the year ended 31 July 2006 of $198,450, to be reviewed annually by the board of directors.
- Other benefits and non-monetary benefits included motor vehicle, car parking and FBT related charges for the year ended 31 July 2006 of $46,361.
- No termination benefit is payable.

J.S. Byers, *Executive Officer – Property Division & Company Secretary*

- Term – indefinite.
- Base salary, inclusive of superannuation, for the year ended 31 July 2006 of $185,000, to be reviewed annually by the Managing Director.
- Other benefits and non-monetary benefits included motor vehicle, car parking and FBT related charges for the year ended 31 July 2006 of $42,809.
- No termination benefit is payable.

G.J. Grundy, *Executive Officer – Investments & Finance*

- Term of agreement – indefinite.
- Base salary, inclusive of superannuation, for the year ended 31 July 2006 of $160,000, to be reviewed annually by the Managing Director.
- No termination benefit is payable.

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 a conduct involving lack of good faith on the part of the officer. The Constitution further provides for an indemnity in respect of legal costs incurred by those persons in defending proceedings in which judgement is given in their favour, they are acquitted or the Court grants them relief. During the year the company paid insurance premiums in respect of the aforementioned indemnities. Disclosure of the amount of the premiums and of the liabilities covered is prohibited under the insurance contract.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2006

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 74.

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:

	Consolidated 2006 $	Consolidated 2005 $
Assurance Services		
1. Audit Services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	71,040	77,521
2. Other Assurance Services		
Review of outgoings	8,676	-
3. Taxation Services		
Tax compliance services, including review of company income tax returns	37,650	48,203
4. Advisory Services	-	-

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2006

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.

Environmental Regulation

No significant environmental regulations apply to the consolidated entity.

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

W. A. SALIER
Director

J. E. GOWING
Director

Sydney
12 October 2006

AUSTRALIAN STOCK EXCHANGE LISTING REQUIREMENTS

31 JULY 2006

1. Shareholders at 31 August 2006

Range of shares	Number of shareholders
1-1,000	339
1,001-5,000	635
5,001-10,000	209
10,001-100,000	280
Over 100,000	39
Total Shareholders	**1,502**

The number of shareholdings held in less than marketable parcels is 77.

2. Voting Rights

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

3. Substantial Shareholders at 31 August 2006

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 Dexia Investor Services Australia Nominees Pty Limited	3,010,932	Ordinary Shares

AUSTRALIAN STOCK EXCHANGE LISTING REQUIREMENTS

31 JULY 2006

4. Top Twenty Equity Security Holders at 31 August 2006

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	13.49
2.	Warwick Pty Ltd	4,809,952	10.97
3.	Carlton Hotel Ltd	4,273,768	9.75
4.	John Edward Gowing	3,117,179	7.11
5.	RBC Dexia Investor Services Australia Nominees Pty Ltd	3,010,932	6.87
6.	Woodside Pty Ltd	2,022,871	4.61
7.	Mollie Gowing	1,774,756	4.05
8.	Dandeloo Pty Ltd	1,178,614	2.69
9.	Appleby Pty Ltd	1,045,082	2.38
10.	T N Phillips Investments Pty Ltd	700,306	1.60
11.	Enbeear Pty Ltd	578,936	1.32
12.	Jean Kathleen Poole-Williamson	459,348	1.05
13.	Fijolin Pty Ltd	350,000	0.80
14.	J S Millner Holdings Pty Ltd	317,960	0.73
15.	Frederick Bruce Wareham	280,180	0.64
16.	Washington H Soul Pattinson & Company Ltd	277,736	0.63
17.	Citicorp Nominees	247,450	0.56
18.	Westpac Custodian Nominees Ltd	243,891	0.56
19.	QRS Investments Ltd	238,586	0.56
20.	University of Sydney Union	215,641	0.49
Total		**31,058,663**	**70.86**
Total Issued Share Capital		**43,831,978**	**100.00**

Number of shares bought back and cancelled since year end: 33,284

5. Corporate Governance Practices

Gowing Bros. Limited corporate governance practices are described on pages 79-80.

INCOME STATEMENTS

FOR THE YEAR ENDED 31 JULY 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Revenue from continuing operations	5	8,820	10,710	13,780	10,183
Other income	6	20,399	7,811	19,284	7,518
Investment property related expenses		(2,269)	(1,771)	(1,501)	(1,424)
Employee expenses		(1,574)	(1,507)	(1,532)	(1,377)
Public company expenses		(335)	(278)	(335)	(278)
Administration and other expenses		(276)	(518)	(254)	(518)
Borrowing costs expense		(786)	(798)	(762)	(674)
Depreciation expense		(241)	(300)	(241)	(300)
Fair value losses on other financial assets at fair value through the profit or loss		-	(956)	-	(6,292)
Share of net profits of associates accounted for using the equity method	40	-	(2,061)	-	-
Profit before income tax		23,738	10,332	28,439	6,838
Income tax expense (credit)	8	(1,778)	934	(2,138)	766
Profit from continuing operations		25,516	9,398	30,577	6,072
Profit for the year		25,516	9,398	30,577	6,072
Profit attributable to minority interest		6	(9)	-	-
Profit attributable to members of Gowing Bros. Limited	**32(b)**	25,522	9,389	30,577	6,072
Basic earnings per share	43	57.53c	20.81c		
Diluted earnings per share	43	57.53c	20.81c		

The above income statements should be read in conjunction with the accompanying notes

BALANCE SHEETS

AS AT 31 JULY 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Current Assets					
Cash and cash equivalents	9	53,942	9,962	53,866	9,885
Trade and other receivables	10	1,675	1,599	2,144	1,755
Investment loans	11	1,260	3,591	1,275	3,904
Investment properties	12	650	-	650	-
Tax assets	13	674	-	674	-
Available-for-sale financial assets	14	-	882	-	882
Other	15	194	419	194	367
Total Current Assets		**58,395**	**16,453**	**58,803**	**16,793**
Non-Current Assets					
Receivables	16	51	1,654	5,121	9,772
Available-for-sale financial assets	17	97,553	68,697	97,553	68,697
Other financial assets at fair value through profit or loss	18	10,590	5,894	10,592	5,894
Development properties	19	873	746	416	-
Investment properties	20	13,137	63,286	6,383	55,860
Plant and equipment	21	1,535	853	1,535	838
Deferred tax assets	22	1,430	669	1,430	669
Other	23	94	94	94	94
Total Non-Current Assets		**125,263**	**141,893**	**123,124**	**141,824**
Total Assets		**183,658**	**158,346**	**181,927**	**158,617**
Current Liabilities					
Trade and other payables	24	565	1,002	562	1,009
Borrowings	25	-	609	-	443
Current tax liabilities	26	-	673	-	673
Total Current Liabilities		**565**	**2,284**	**562**	**2,125**
Non-Current Liabilities					
Payables	27	-	-	-	8,219
Borrowings	28	12,850	12,550	12,850	11,550
Deferred tax liabilities	29	11,914	9,281	11,572	8,939
Provisions	30	94	65	94	65
Total Non-Current Liabilities		**24,858**	**21,896**	**24,516**	**28,773**
Total Liabilities		**25,423**	**24,180**	**25,078**	**30,898**
Net Assets		**158,235**	**134,166**	**156,849**	**127,719**
Equity					
Parent entity interest					
Contributed equity	31	3,608	7,110	3,608	7,110
Reserves	32(a)	37,238	56,688	37,302	56,752
Retained profits	32(b)	117,386	70,359	115,939	63,857
Total parent entity interest		**158,232**	**134,157**	**156,849**	**127,719**
Minority interest in controlled entities	**33**	**3**	**9**	**-**	**-**
Total Equity		**158,235**	**134,166**	**156,849**	**127,719**

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Total equity at the beginning of the financial year	134,166	122,840	127,719	121,941
Changes in the revaluation of available-for-sale financial assets, net of tax	6,517	5,731	6,517	3,509
Net income recognised directly in equity	6,517	5,731	6,517	3,509
Profit for the year	25,516	9,398	30,577	6,072
Total recognised income and expense for the year	32,033	15,129	37,094	9,581
Transactions with equity holders in their capacity as equity holders:				
Dividends provided for or paid	(4,462)	(3,106)	(4,462)	(3,106)
Interim Dividend satisfied by issue of shares under Dividend Reinvestment Plan and Bonus in Lieu Plan	-	750	-	750
On-market share buy backs	(3,502)	(1,527)	(3,502)	(1,527)
Ordinary share options exercised under Employee Share Scheme	-	88	-	88
Options rights cancelled	-	(8)	-	(8)
	(7,964)	**(3,803)**	**(7,964)**	**(3,803)**
Total equity at the end of the financial year	**158,235**	**134,166**	**156,849**	**127,719**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 JULY 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Cash Flows From Operating Activities					
Receipts from customers (inclusive of GST)		4,733	7,265	3,850	5,945
Payments to suppliers and employees (inclusive of GST)		(5,023)	(4,878)	(4,215)	(3,876)
Dividends received		3,151	2,701	3,892	3,046
Interest received		1,534	1,312	1,534	1,307
Borrowing costs		(783)	(700)	(730)	(662)
Income taxes paid		(779)	(1,396)	(779)	(1,379)
Net Cash Inflows From Operating Activities	**44**	**2,833**	**4,304**	**3,552**	**4,381**
Cash Flows From Investing Activities					
Payments for purchases of properties, plant and equipment		(5,516)	(6,694)	(3,064)	(4,556)
Payments for financial assets		(27,893)	(14,330)	(27,893)	(14,330)
Loans to other entities		-	-	-	(824)
Proceeds from sale of plant and equipment		73	-	73	-
Proceeds from sale of financial assets		6,038	25,103	6,038	25,103
Proceeds from loan repayments		3,591	-	3,591	-
Proceeds from sale of property and other assets		72,128	1,324	68,791	-
Loans repaid by other entities		-	(545)	-	-
Net Cash Inflows From Investing Activities		**48,421**	**4,858**	**47,536**	**5,393**
Cash Flows From Financing Activities					
Proceeds from share issues		-	33	-	33
Proceeds from borrowings		1,300	3,097	1,300	1,732
Payments for shares bought back		(3,502)	(1,526)	(3,502)	(1,527)
Repayment of lease liabilities		(443)	(530)	(443)	(530)
Repayment of borrowings		(167)	(696)	-	-
Dividends paid		(4,462)	(2,356)	(4,462)	(2,356)
Net Cash (Outflows) From Financing Activities		**(7,274)**	**(1,978)**	**(7,107)**	**(2,648)**
Net Increase in Cash Held		43,980	7,184	43,981	**7,126**
Cash at the beginning of the financial year		9,962	2,778	9,885	2,759
Cash at the End of the Financial Year	**9**	**53,942**	**9,962**	**53,866**	**9,885**
Non-cash financing activities	45	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Gowing Bros. Limited as an individual entity and the consolidated entity consisting of Gowing Bros. Limited and its subsidiaries.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated and parent financial statements and notes of Gowing Bros. Limited comply with International Financial Reporting Standards (IFRSs).

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Gowing Bros. Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements until 31 July 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in some respects from AIFRS. When preparing Gowing Bros. Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. The comparative figures in respect of 2005 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the consolidated entity's equity and its net income are given in note 46.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of Consolidation

(i) Subsidiaries

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 2006 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. Minority interests in the results and equity of controlled entities are shown separately in the consolidated income statement and balance sheet respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement 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 subsidiaries are accounted for at cost in the individual financial statements of Gowing Bros. Limited.

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 income statement, 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.

Intercompany transactions, balances and unrealised gains on transactions between companies in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the consolidated entity.

(ii) Joint Ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of joint venture activities have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in note 41.

Joint venture entities

The interest in a joint venture partnership is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in the reserves is recognised in reserves in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Profits or losses on the transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the consolidated entity's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(c) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those segments operating in other economic environments.

(d) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each of the consolidated entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Australian dollars, which is Gowing Bros. Limited's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(e) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amount in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Gowing Bros. Limited and its wholly-owned controlled entities have 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).

(f) Business Combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured at fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

value of the consolidated entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the consolidated entity's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

(g) Impairment of Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Property, Plant and Equipment

The purchase method of accounting is used for acquisitions of property, plant and equipment. 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.

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.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their residual values, over their estimated useful lives, as follows:

Plant and equipment	3 to 20 years
Motor vehicles	6 to 8 years
Buildings	40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is great than its estimated recoverable amount.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Gains and losses on disposal are determined by comparing proceeds with carrying amount.

(i) Revenue Recognition

Revenue is recognised for the major business activities as follows:

(i) Long Term Investments

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. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Where it is probable that the loss will arise from a construction contract, the excess of the total expected contract costs over total expected contract revenue is recognised as an expense immediately.

(v) Other Investment Revenue

Trust income and option income is recognised when earned.

(vi) Other Property Revenue

Other property revenue is recognised in accordance with underlying agreements.

(vii) Interest Revenue

Interest income is recognised when earned.

(j) 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.

(k) Investments and Other Financial Assets

Interests in current listed securities are brought to account at fair value, with the change in fair value reflected in the long term revaluation reserve.

Unlisted securities are brought to account at fair value, with any change in fair value reflected in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(b).

The interest in joint ventures is accounted for as set out in note 41.

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 relates to fair value being the measurement basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 August 2004) changes to carrying amounts were taken to retained earnings or reserves.

For further information concerning the adjustments on transition date reference should be made to note 46.

The consolidated entity classifies its investments in the following categories: financial assets at fair value through profit or loss and available-for-sale financial assets. The classification depends on the purpose for which it was acquired. Management determines the classification on initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit.

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date - the date on which the consolidated entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through the profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions and reference to other instruments that are substantially the same and relying as little as possible on entity-specific inputs.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(l) 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.

(m) 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 Balance Sheet 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Investment Properties

Investment property, principally comprising freehold commercial and retail buildings, is held for long-term rental yields and is not occupied by the consolidated entity. Investment property is carried at fair value determined annually by management. Changes in fair values are recorded in the income statement as part of other income.

(o) Trade and Other Payables

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.

(p) Borrowings

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. Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) 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.

(r) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The consolidated entity uses a variety of methods and assumptions that are based on market conditions existing at balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee Entitlements

(i) Wages, Salaries and Annual Leave

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

(ii) Long Service Leave

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

(t) 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(k).

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.

(u) Cash and Cash Equivalents

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(v) Earnings Per Share

(i) Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of the interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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.

2. FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial risks; market risk, liquidity risks and cash flow interest rate risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity through the mix of investment classes.

The Board of Directors and management undertake various risk management practices both informally on a daily basis and formally on a monthly basis at Board level. Risks are identified and prioritised according to significance and probability. Progress towards managing these risks are documented and formally reviewed on a monthly basis.

(a) Market Risk

(i) Price Risk

The consolidated entity is exposed to equity securities price risk. This arises from investments held by the consolidated entity and classified on the balance sheet either as available-for-sale or at fair value through the profit or loss. The consolidated entity is not exposed to commodity price risk.

(ii) Fair Value Interest Rate Risk

Refer to (c) below.

(b) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions.

(c) Cash Flow and Fair Value Interest Rate Risk

The consolidated entity's interest-rate risk arises from long-term borrowings and cash on deposit. Borrowings issued at variable rates expose the consolidated entity to cash flow interest-rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest-rate risk.

The consolidated entity's interest bearing assets include deposits on the overnight money market. Interest earnt on these deposits varies according to the Reserve Banks monetary policy decisions.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Gowing Bros. Limited makes estimates relating to assessing fair values of other financial assets at fair value through profit or loss, and investment properties.

The impact on other financial assets at fair value through profit or loss at 31 July 2006 was a gain of $1,285,000 (2005: a loss of $609,000) in the income statement.

Other financial assets at fair value through profit or loss are recorded at fair value in the balance sheet as follows at 31 July 2006: $10,590,000 (2005: $5,894,000).

Other financial assets at fair value through profit or loss are based on external manager valuations. These valuations are then reviewed for reasonableness and validity of assumptions.

Where possible valuations are based on audited financial reports at 30 June 2006. Where these reports are not available, March 2006 quarter investment reports are used.

Investment property valuations are based on management's estimate of their fair value incorporating discounted future cash flows, external valuations and appraisals and recent sales of comparable properties. There has been no impact on the 2006 or 2005 income statements on revaluing investment properties to fair value.

4. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

	Property Operations $'000	Investments $'000	Inter-segment Eliminations $'000	Consolidated $'000
4. SEGMENT INFORMATION (continued)				
Business Segments - 2006				
Revenue from outside the consolidated entity	4,370	4,450	-	8,820
Inter-segment revenue	59	-	(59)	-
Total revenue	4,429	4,450	(59)	8,820
Other income	18,583	1,816	-	20,399
Total segment revenue/income	**23,012**	**6,266**	**(59)**	**29,219**
Segment result	19,434	4,304	-	23,738
Profit before income tax	19,434	4,304	-	23,738
Income tax credit				1,778
Profit for the year				**25,516**
Segment assets	16,266	165,288	-	181,554
Unallocated assets				2,104
Total assets				**183,658**
Segment liabilities	12,558	951	-	13,509
Unallocated liabilities				11,914
Total liabilities				**25,423**
Acquisition of property, plant and equipment, and other non-current segment assets	1,965	29,369	-	31,334
Depreciation expense	153	88	-	241
Profit on sale of property before income tax	18,584	73	-	18,657
Fair value gains on other financial assets at fair value through profit or loss	-	1,659	-	1,659
Net gain on available-for-sale financial assets	-	83	-	83

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

	Property Operations $'000	Investments $'000	Inter-segment Eliminations $'000	Consolidated $'000
4. SEGMENT INFORMATION (continued)				
Business Segments - 2005				
Revenue from outside the consolidated entity	5,380	5,330	-	10,710
Inter-segment revenue	56	-	(56)	-
Total revenue	5,436	5,330	(56)	10,710
Share of net profits of associates and joint venture partnership	-	(2,061)	-	(2,061)
Other income	293	7,518		7,811
Total segment revenue/income	**5,729**	**10,787**	**(56)**	**16,460**
Profit before income tax	2,480	7,852		10,332
Segment result	2,480	7,852	-	10,332
Income tax expense				(934)
Profit for the year				**9,398**
Segment assets	67,051	90,626	-	157,677
Unallocated assets				669
Total assets				**158,346**
Segment liabilities	13,856	370	-	14,226
Unallocated liabilities				9,954
Total liabilities				**24,180**
Acquisition of property, plant and equipment, and other non-current segment assets	5,563	14,399	-	19,962
Depreciation expense	264	36	-	300
Profit on sale of property before income tax	293	-	-	293
Fair value gains on other financial assets at fair value through profit or loss	-	7,518	-	7,518
Net gain (loss) on available-for-sale financial assets	-	(936)	-	(936)

(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 116: 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

4. SEGMENT INFORMATION (continued)

segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of borrowings, trade and other creditors and employee entitlements. Segment assets and liabilities do not include income taxes. Tax assets and liabilities are represented as unallocated amounts.

(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

In 2004 the consolidated entity held an investment in associate G Retail Limited (formerly Gowings Retail Limited). In 2005, when the company had significant influence in G Retail Limited for part of the year, this was accounted for using the equity method.

(d) Segment Cash Flows

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

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
5. REVENUE				
From continuing operations				
Interest	1,216	1,887	1,216	1,882
Dividends	3,151	2,701	9,031	3,046
Rent	2,944	4,167	2,944	4,054
Other investment revenue	114	760	113	761
Other property revenue	643	878	366	433
Other revenue	752	317	110	7
	8,820	**10,710**	**13,780**	**10,183**
6. OTHER INCOME				
Fair value gains on other financial assets at fair value through profit or loss	1,659	-	1,659	-
Net gain on sale of available-for-sale financial assets	83	7,518	83	7,518
Net gain on disposal of property, plant and equipment	18,657	293	17,542	-
	20,399	**7,811**	**19,284**	**7,518**

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
7. PROFIT BEFORE INCOME TAX				
Gains				
Profit from before income tax expense includes the following specific items:				
Private equity investment distributions	113	664	113	664
Expenses				
Share of net loss of associate (G Retail Ltd)	-	2,061	-	-
Bad and doubtful debts - trade debtors	12	85	12	85
Interest paid - other persons	786	798	762	674
Employee entitlements	28	2	28	2
8. INCOME TAX EXPENSE				
(a) Income tax expense (credit)				
Current tax	(406)	765	(770)	597
Deferred tax	(1,171)	132	(1,167)	132
Under (over) provided in prior years	(201)	37	(201)	37
	(1,778)	**934**	**(2,138)**	**766**
Income tax expense attributable to:				
Profit from continuing operations	(1,778)	934	(2,138)	766
Profit from discontinued operations	-	-	-	-
Aggregate income tax expense (credit)	**(1,778)**	**934**	**(2,138)**	**766**

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
8. INCOME TAX EXPENSE (continued)				
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	23,738	10,332	28,439	6,838
Tax at the Australian tax rate of 30% (2005 – 30%)	7,122	3,099	8,532	2,051
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share of net loss of G Retail Ltd accounted for using the equity method	-	618	-	-
Non-assessable income	307	9	307	10
Non-deductible expenses	271	4	264	4
Revaluation of current assets	-	(1,619)	-	(18)
Accounting profit on disposal of other financial assets	(7,608)	(2,255)	(7,608)	(2,255)
Tax profit on disposal of other financial assets	-	1,815	-	1,815
Franked dividends	(888)	(774)	(1,046)	(878)
Rebateable dividends	-	-	(1,605)	-
Deferred tax asset on tax losses carried forward	(781)	-	(781)	-
Under (over) provision in prior year	(201)	37	(201)	37
Income tax expense (credit)	**(1,778)**	**934**	**(2,138)**	**766**
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity	3,043	3,963	3,039	3,963

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	72	205	-	128
Deposits at call	53,870	9,757	53,866	9,757
	53,942	**9,962**	**53,866**	**9,885**

The deposits at call bear floating interest rates of up to 5.65% (2005: 5.40%).

10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES				
Trade debtors	33	-	33	-
Less: Provision for doubtful debts	(11)	-	(11)	-
	22	**-**	**22**	**-**
Other debtors	1,653	1,599	1,224	1,233
Tax related receivables from wholly owned controlled entities and joint ventures	-	-	898	522
	1,675	**1,599**	**2,144**	**1,755**

Other Debtors

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.

Effective Interest Rates and Credit Risk

Information concerning the effective interest rate and credit risk is set out in note 35.

11. CURRENT ASSETS – LOANS AND RECEIVABLES				
Investment properties	-	-	-	298
Development properties	-	-	15	15
Mezzanine loans	1,260	3,591	1,260	3,591
	1,260	**3,591**	**1,275**	**3,904**

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
12. CURRENT ASSETS - INVESTMENT PROPERTIES				
Land and buildings - at fair value	**650**	**-**	**650**	**-**
Movements				
Balance at beginning of year	-	-	-	-
Transferred from non-current	650	-	650	-
Balance at end of year	**650**	**-**	**650**	**-**
13. CURRENT ASSETS - TAX ASSETS				
Income tax refundable	**674**	**-**	**674**	**-**
14. CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Listed securities – market value	**-**	**882**	**-**	**882**
15. CURRENT ASSETS - OTHER				
Prepayments	191	366	191	341
Deferred expenditure	3	26	3	26
Other	-	27	-	-
	194	**419**	**194**	**367**
16. NON-CURRENT ASSETS – LOANS AND RECEIVABLES				
Loans to controlled entities	-	-	5,070	8,152
Mezzanine loans	-	1,260	-	1,260
Loans to directors, director related entities and executives	35	335	35	335
Other loans	16	59	16	25
	51	**1,654**	**5,121**	**9,772**

Information relating to loans to related parties and directors is set out in note 39.

(a) Fair Values

The Directors believe the fair value of receivables equal the carrying amounts.

(b) Interest Rate Risk

The consolidated entity's exposure to interest rate risk and effective weighted average interest rate by maturity periods is set out in note 35.

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
17. NON-CURRENT ASSETS – AVAILABLE-FOR-SALE				
At the beginning of the year	68,697	63,891	68,697	63,891
Revaluation to fair value	9,558	9,696	9,558	9,696
Additions	23,929	11,337	23,929	11,337
Transferred to current (note 14)	-	(882)	-	(882)
Disposals (sale and redemption)	(4,631)	(15,345)	(4,631)	(15,345)
At end of year	**97,553**	**68,697**	**97,553**	**68,697**
18. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS				
At the beginning of the year	5,894	3,847	5,896	9,345
Revaluation to fair value	1,659	(609)	1,659	(609)
Additions	3,964	2,993	3,964	2,993
Disposals (sale and redemption)	(927)	(337)	(927)	(5,835)
At end of year	**10,590**	**5,894**	**10,592**	**5,894**

Changes in fair values of other financial assets at fair value through the profit or loss are recorded in other income in the income statement note 6.

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
19. NON-CURRENT ASSETS – DEVELOPMENT PROPERTIES				
Development properties	**873**	**746**	**416**	-

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
20. NON-CURRENT ASSETS – INVESTMENT PROPERTIES				
Land and buildings – at fair value	**13,137**	**63,286**	**6,383**	**55,860**
At fair value				
Balance at beginning of year	63,286	60,884	55,860	53,691
Acquisition of properties	1,549	2,402	1,173	2,169
Net gain (loss) from fair value adjustment	-	-	-	-
Sale of properties	(51,048)	-	(50,000)	-
Transfer to current (note 12)	(650)	-	(650)	-
Balance at end of year	**13,137**	**63,286**	**6,383**	**55,860**
Amounts recognised in profit and loss for investment properties				
Rental income	2,944	4,167	2,944	4,054
Direct operating expenses from properties that generated rental income	(1,164)	(1,465)	(1,164)	(1,423)
Direct operating expenses from properties that did not generate rental income	(1,105)	(306)	(337)	(1)
	675	**2,396**	**1,443**	**2,630**

(a) Valuation Basis

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition subject to similar leases. The 2006 revaluations were determined by Directors using internal and external information (Note 3).

(b) Leasing Arrangements

Until 13 June 2006, the Market Street building was 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	-	3,367
Later than one but not later than 5 years	-	11,561	-	11,561
Later than 5 years	-	2,863	-	2,863
	-	17,791	-	17,791

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
21. NON-CURRENT ASSETS – PLANT AND EQUIPMENT				
At cost	1,775	978	1,775	962
Less: Accumulated depreciation	(240)	(125)	(240)	(124)
	1,535	**853**	**1,535**	**838**

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	853	1,084	838	1,084
Additions	1,478	69	1,478	54
Disposals/write-offs	(555)	-	(541)	-
Depreciation/amortisation expense	(241)	(300)	(240)	(300)
Carrying amount at end of year	**1,535**	**853**	**1,535**	**838**

22. NON-CURRENT ASSETS - DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:
Amounts recognised in the profit or loss

Employee benefits	46	31	46	31
Accruals	18	81	18	81
Write down of investments	557	557	557	557
Tax losses carried forward	782	-	782	-
Other	27	-	27	-
Net deferred tax assets	**1,430**	**669**	**1,430**	**669**

Movements

Opening balance at 1 August	669	877	669	877
(Charged) credited to the income statement (note 8)	761	(208)	761	(208)
Closing balance at 31 July	**1,430**	**669**	**1,430**	**669**
Deferred tax assets to be recovered after more than 12 months	627	657	627	657
Deferred tax assets to be recovered within 12 months	803	12	803	12
	1,430	**669**	**1,430**	**669**

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
23. NON-CURRENT ASSETS - OTHER				
Other assets	**94**	**94**	**94**	**94**
24. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES				
Trade creditors	112	123	110	123
Other creditors and accruals	453	879	452	886
	565	**1,002**	**562**	**1,009**
25. CURRENT LIABILITIES - BORROWINGS				
Share of joint venture bill payable (secured)	-	166	-	-
Lease liabilities (secured) (note 37)	-	443	-	443
	-	**609**	-	**443**

(a) Bills Payable

Bills have been drawn as a source of short-term financing on a needs basis. In 2005 it matured on 31 December 2005 with a rate of 6.84%. This was fully repaid on 26 October 2005.

(b) Interest Rate Exposures

Details of the consolidated entity's exposure to interest rate changes on borrowings are set out in note 35.

(c) Fair Value of Disclosures

Details of the fair value of borrowings for the consolidated entity are set out in note 28.

(d) Security

Details of the security relating to each of the secured liabilities and further information on banks loans are set out in note 28.

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
26. CURRENT LIABILITIES - TAX LIABILITIES				
Income tax	-	**673**	-	**673**
27. NON-CURRENT LIABILITIES – PAYABLES				
Loans from controlled entities	-	-	-	**8,219**

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
28. NON-CURRENT LIABILITIES – BORROWINGS				
Lease liabilities – secured (note 37)	-	-	-	-
Bill payable – unsecured [1]	10,000	10,000	10,000	10,000
Bill payable – secured	2,350	2,550	2,350	1,550
Loan payable – secured	500	-	500	-
	12,850	**12,550**	**12,850**	**11,550**

1. 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.

(a) Total Secured Liabilities

The total secured liabilities (current and non-current) are as follows:

Bills payable[1]	2,350	2,716	2,350	1,550
Loans payable[2]	500	-	500	-
Lease liabilities[3]	-	443	-	443
	2,850	**3,159**	**2,850**	**1,993**

(b) Assets Pledged as Security

1. $2.35 million is secured against specific investment properties. 2005: $1 million was secured against specific investment property and guarantees from the parent entity.
2. $0.5 million is secured against Gowing Bros. Limited's investment in MEIF.
3. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

NOTES TO THE FINANCIAL STATEMENTS

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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
28. NON-CURRENT LIABILITIES – BORROWINGS (continued)				
Financing Arrangements				
Unrestricted access was available at balance date to the following lines of credit:				
Total facilities				
Bank overdrafts	1,000	1,000	1,000	1,000
Unsecured bill acceptance facility	20,000	20,000	20,000	20,000
Secured bill facilities	4,700	3,100	4,700	1,550
Secured loan facility	500	-	500	-
	26,200	**24,100**	**26,200**	**22,550**
Used at balance date				
Bank overdrafts	-	-	-	-
Unsecured bill acceptance facility	10,000	10,000	10,000	10,000
Secured bill facilities	2,350	2,716	2,350	1,550
Secured loan facility	500	-	500	-
	12,850	**12,716**	**12,850**	**11,550**
Unused at balance date				
Bank overdrafts	1,000	1,000	1,000	1,000
Unsecured bill acceptance facility	10,000	10,000	10,000	10,000
Secured bill facilities	2,350	384	2,350	-
	13,350	**11,384**	**13,350**	**11,000**

The interest rates at balance date were up to a maximum of 9.45% on the bank overdrafts (2005: 10.6%), 6.39% on the unsecured bill acceptance facility (2005: 5.70%) and up to 6.87% on the secured bill facilities (2005: 6.87%).

(a) Fair Values

The Directors' believe the fair value of financial assets and liabilities equal the carrying amounts. Fair value is inclusive of costs which would be incurred on settlement of a liability.

(b) On-balance Sheet

The fair value of borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

(ii) Off-balance Sheet

There are no off balance sheet borrowings or contingencies.

(c) Interest Rate Risk Exposures

Details of the consolidated entity's exposure to interest rate changes on borrowings are set out in note 35.

NOTES TO THE FINANCIAL STATEMENTS

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	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
29. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES				
The balance comprises temporary differences attributable to:				
Prepayments	2	20	2	20
Investment properties	341	341	-	-
Fixed assets – difference between book and tax	(3)	272	(2)	272
Lease liabilities	-	499	-	499
Other financial assets at fair value through profit or loss	136	(250)	136	(250)
Available-for-sale financial assets	11,438	8,399	11,436	8,398
Net deferred tax liabilities	**11,914**	**9,281**	**11,572**	**8,939**
Movements:				
Opening balance at 1 August	9,281	5,394	8,939	5,052
Charged (credited) to the income statement (note 8)	(410)	(76)	(406)	(76)
Charged (credited) to equity	3,043	3,963	3,039	3,963
Closing balance at 31 July	**11,914**	**9,281**	**11,572**	**8,939**
Deferred tax liabilities to be settled after more than 12 months	11,914	9,281	11,572	8,939
Deferred tax liabilities to be settled within 12 months	-	-	-	-
	11,914	**9,281**	**11,572**	**8,939**
30. NON-CURRENT LIABILITIES - PROVISIONS				
Employee entitlements	94	65	94	65

31. CONTRIBUTED EQUITY

	Number of shares	Number of shares	2006 $'000	2005 $'000
(a) **Share Capital**				
Ordinary shares fully paid	**43,865,262**	**45,081,822**	**3,608**	**7,110**

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

31. CONTRIBUTED EQUITY (continued)

(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 re-investment plan issue	(d)	146,827	2.55	374
22/04/2005	Dividend re-investment plan issue	(d)	139,103	2.70	376
25/10/2004	Options exercised	(f)	45,000	1.95	88
22/04/2005	Bonus in lieu issues	(e)	18,940		-
31/07/2005	Balance		45,081,822		7,110
	On-market share buy back	(g)	(1,216,560)		(3,502)
31/07/2006	**Balance**	(c)	43,865,262		3,608

(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.

Note: The operation of the Dividend Reinvestment Plan and the Bonus in Lieu Plan is suspended until further notice.

(f) Options

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

Gowing Bros. Employees Share 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 2006 is nil (2005: nil).

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.

31. 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		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
32. RESERVES AND RETAINED PROFITS				
(a) Reserves				
Movements				
Asset revaluation reserve[1]				
Opening balance	25,965	25,965	25,965	25,965
Transfer to retained profits	(25,965)	-	(25,965)	-
Closing balance	**-**	**25,965**	**-**	**25,965**
General reserve				
Opening balance	-	10,010	-	10,010
Transfer to retained profits	-	(10,000)	-	(10,000)
Decrease during year	-	(10)	-	(10)
Closing balance	**-**	**-**	**-**	**-**
Capital profit reserve				
Opening balance	-	32,670	-	32,670
Transfer to retained profits	-	(32,670)	-	(32,670)
Closing balance	**-**	**-**	**-**	**-**
Long term asset revaluation reserve[2]				
Opening balance	30,723	24,990	30,785	27,276
Revaluation - gross	9,558	9,696	9,556	7,472
Deferred tax	(3,043)	(3,963)	(3,039)	(3,963)
Closing balance	**37,238**	**30,723**	**37,302**	**30,785**
Total reserves	**37,238**	**56,688**	**37,302**	**56,750**

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

[2] The long term revaluation reserve is used to record increments and decrements on available-for-sale financial assets. Amounts are recognised in profit or loss when the associated assets are sold or impaired.

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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
32. RESERVES AND RETAINED PROFITS				
(b) Retained Profits				
Retained profits at the beginning of the financial year	70,359	21,406	63,857	18,221
Net profit attributable to members of Gowing Bros. Limited	25,522	9,389	30,577	6,072
Dividends provided for or paid	(4,462)	(3,106)	(4,462)	(3,106)
Aggregate of amounts transferred from reserves	25,967	42,670	25,967	42,670
Retained profits at the end of the financial year	**117,386**	**70,359**	**115,939**	**63,857**
33. MINORITY INTEREST				
Contributed equity	-*	-*	-	-
Retained profits	3	9	-	-
	3	**9**	**-**	**-**

* Interest in contributed equity is $500.

	Parent Entity	
	2006	2005
	$'000	$'000
34. DIVIDENDS		
Ordinary Shares		
2005 final dividend of 3.5 cents and a special dividend of 3.0 cents per fully paid share Franked at 30% (2004: 3.5 cents)	2,922	1,580
Interim dividend of 3.5 cents (2005: 3.5 cents) per fully paid share Franked at 30% (2005: 30%)	1,540	1,577
Less satisfied by bonus in lieu plan	-	(51)
Total dividends declared	**4,462**	**3,106**
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan		
Paid in cash	4,462	2,356
Satisfied by issue of shares	-	750
	4,462	**3,106**

34. DIVIDENDS (continued)

Dividends Declared after Year End

In addition to the above dividends, subsequent to year end the directors have recommended the payment of a fully franked final dividend of 5.0 cents per ordinary share fully franked based on tax paid at 30%. The maximum amount of the proposed dividend expected to be paid on 25 October 2006 out of retained profits at 31 July 2006, but not recognised as a liability at year end, is $2,194,477 (2005: $2,922,145).

Franked Dividends

The franked portions of the final dividends declared after 31 July 2006 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		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Franking credits available for subsequent financial years (tax paid basis)	**9,136**	**9,897**	**9,136**	**9,897**

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the current tax liability

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and

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

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

35. 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
2006						
Financial assets						
Cash and cash equivalents	53,940	-	-	-	2	53,942
Trade and other receivables	-	275	-	-	1,451	1,726
Investment loans	-	1,260	-	-	-	1,260
Other financial assets	-	-	-	-	108,143	108,143
	53,940	**1,535**	**-**	**-**	**109,596**	**165,071**
Weighted average interest rate	5.65%	16.07%				
Financial liabilities						
Payables	-	-	-	-	659	659
Borrowings	-	12,350	500	-	-	12,850
	-	**12,350**	**500**	**-**	**659**	**13,509**
Weighted average interest rate		6.16%	5.95%			
Net financial assets (liabilities)	**53,940**	**(10,815)**	**(500)**	**-**	**108,937**	**151,562**

NOTES TO THE FINANCIAL STATEMENTS

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35. INTEREST RATE RISK EXPOSURES (continued)

	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 cash equivalents	9,959	-	-	-	3	9,962
Trade and other receivables	-	-	-	291	1,668	1,959
Investment loans	-	3,591	1,260	-	33	4,884
Other financial assets	-	-	-	-	74,591	74,591
	9,959	**3,591**	**1,260**	**291**	**76,295**	**91,396**
Weighted average interest rate	5.36%	17.29%	20.00%	7.25%		
Financial liabilities						
Payables	-	-	-	-	1,067	1,067
Borrowings	166	443	-	-	-	609
Lease liabilities	-	-	-	12,550	-	12,550
Market rate facilities	**166**	**443**	**-**	**12,550**	**1,067**	**14,226**
Weighted average interest rate	6.87%	8.04%	-	6.24%		
Net financial assets (liabilities)	**9,793**	**3,148**	**1,260**	**(12,259)**	**75,228**	**77,170**

(a) Off-balance Sheet Financial Assets and Liabilities

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

(b) 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.

(c) 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.

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	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
36. REMUNERATION OF AUDITORS				
Audit and review of the entity or any entity in the consolidated entity	80	78	80	78
Tax services	38	48	38	48
Advisory services	-	-	-	-
	118	126	118	**126**

37. COMMITMENTS FOR EXPENDITURE

Capital Commitments

The company has uncalled capital commitments of up to $9,046,878 over a period of up to 10 years in relation to private equity and property fund investments held at year end.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Finance Leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	-	454	-	454
Later than one year but not later than 5 years	-	-	-	
Minimum lease payments	**-**	**454**	**-**	**454**
Less: Future finance charges	-	(11)	-	(11)
Total lease liabilities	**-**	**443**	**-**	**443**
Representing lease liabilities:				
Current (note 25)	-	443	-	443
	-	**443**	**-**	**443**
38. EMPLOYEE ENTITLEMENTS				
Employee Entitlement Liabilities				
Provision for employee entitlements (note 30)	94	65	94	65
Accrual for annual leave	59	40	59	40
Other payables	300	363	300	363
	453	**468**	**453**	**468**
	No.	No.	No.	No.
Number of employees at 31 July	8	10	8	10

NOTES TO THE FINANCIAL STATEMENTS

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39. 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.

M. T. Alscher resigned on 6 July 2006.

All of these persons were also Directors during the year ended 31 July 2005.

Remuneration

Information on remuneration of directors and key management personnel is disclosed in the Directors' Report.

Shares

All shares were held beneficially by the directors.

Director	Shares Held as at 31 July 2004 No.	Shares Acquired/ (Disposed) During the Year No.	Shares Held as at 31 July 2005 No.	Shares Acquired/ (Disposed) During the Year No.	Shares Held as at 31 July 2006 No.
W. A. Salier	45,551	1,223	46,774	-	46,774
J. E. Gowing	8,495,114	7,708,958	16,204,072	-	16,204,072
M. T. Alscher	233,986	6,996	240,982	5,600	246,582
J. G. Parker	40,000	-	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 10 comprise:

	Consolidated and parent entity					
	2006 $	2006 $	2006 $	2005 $	2005 $	2005 $
	QRS Investments	J. S. Byers	Total	QRS Investments	J. S. Byers	Total
Balance brought forward	291,352	43,375	334,727	313,292	-	313,292
Cash advances	-	-	-	-	48,750	48,750
Interest charged	20,316	-	20,316	22,060	-	22,060
Repayments	(41,056)	(8,500)	(49,556)	(44,000)	(5,375)	(49,375)
Current balance	270,612	34,875	305,487	291,352	43,375	334,727

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. Interest is charged on the balance of the secured loan at a rate of 7.25% (2005: 7.25%). 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. This loan has been repaid in full in September 2006

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.

39. 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 $81,779 (2005: $10,889) 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 (2005: 500,000) ordinary shares in Crescent Capital Partners Limited. The parent entity has committed $2,685,000 (2005: $2,685,000) to the Crescent Capital Partners Growth Fund. At balance date $1,869,045 (2005:$2,255,400) has been invested.

The parent entity holds 817,810 (2005: 817,810) ordinary shares in Crescent Capital Partners Management Pty Limited. The parent entity has committed $4,000,000 (2005: $4,000,000) to the Crescent Capital Partners II Limited Partnership. At balance date $2,020,000 (2005: $1,100,000) has been invested.

(c) QRS Investments Pty Limited

During the year Gowing Bros. Ltd paid QRS Investments Pty Limited, $37,324 (2005: $40,000) (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 $0 (2005: $5,767).

(e) Creative License Pty Limited

A director related entity of J.E. Gowing. During the year the company paid fees amounting to $16,407 (2005: $5,308) to Creative License for services rendered in the production of the company's printed documentation. All fees charged were on a commercial basis.

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39. RELATED PARTIES (continued)

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Tax consolidation legislation				
Current tax payable assumed from wholly-owned tax consolidated entities	-	-	360	329
Contributions to superannuation funds on behalf of employees	82	61	75	55

Controlled Entities

Ownership interests in controlled entities are set out in note 42.

Transactions between Gowing Bros. Limited and other entities in the group during the years ended 31 July 2006 and 2005 consisted of:

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Loans to/from related parties	-	-	-	-
Loans to subsidiaries				
Balance at beginning of the year	-	-	(68)	114
Loans advanced	-	-	502	136
Loan repayments received	-	-	(68)	(318)
Rebateable dividends	-	-	4,704	-
Balance at end of the year			**5,070**	**(68)**

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

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:

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Associates:				
Rent revenue	-	501	-	501

40. INVESTMENTS IN ASSOCIATES

In 2005, when the company had significant influence in G Retail Limited for part of the year, this was accounted for using the equity method. In 2006 a realised loss of $882,000 was reflected in the income statement relating to the write-off of Gowing Bros Limited investment in G Retail Limited.

Information relating to G Retail Limited is set out below:

Traded on organised markets	Principal Activity	Ownership interest 2006 %	Ownership interest 2005 %	Consolidated carrying amount 2006 $'000	Consolidated carrying amount 2005 $'000	Parent entity carrying amount 2006 $'000	Parent entity carrying amount 2005 $'000
G Retail Limited	Retail	-	19	-	882	-	882

	Consolidated 2006 $'000	Consolidated 2005 $'000
Movements in carrying amounts of investments in associates and G Retail Ltd		
Carrying amount at the beginning of the year	882	2,221
Equity accounted share of operating losses after income tax	-	(2,061)
Realised loss of investment in G Retail Ltd	(882)	-
Add: revaluation to market value	-	722
Carrying amount at the end of the year	**-**	**882**
Results attributable to associates		
Operating losses before income tax	-	(2,061)
Income tax expense	-	-
Operating losses after income tax	**-**	**(2,061)**

41. 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.

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 controlled entity has a 50% participating interest in this joint venture and is entitled to 50% of its output.

A controlled entity, Gowings Kempsey Pty Limited, has entered into a joint venture operation named Kemp Street Joint Venture for a land sub-division and development. The controlled entity has a 50% participating interest in this joint venture and is entitled to 50% of its output.

The parent entity has entered into a joint venture operation, known as Verge Street, as a long term investment. Gowing Bros. Limited has a 50% participating interest in this joint venture and is entitled to 50% of its output.

In 2005 a controlled entity, Zarlee Pty Ltd, entered into a joint venture operation named Macleay Retail Development for a neighbourhood shopping centre development. This joint venture operation ceased in 2006.

The consolidated entity's interests in the assets employed in the joint ventures are included in the consolidated balance sheet, in accordance with the accounting policy described in Note 1(b), under the following classifications:

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Current assets				
Cash	104	63	32	42
Other	72	358	2	35
Total current assets	**176**	**421**	**34**	**77**
Non-current assets				
Investment properties	231	-	231	-
Development properties	873	746	-	-
Total non-current assets	1,104	746	231	-
Share of assets employed in joint venture	**1,280**	**1,167**	**265**	**77**

$2.35 million is secured against specific investment properties.

In 2005 $1.0 million was secured against specific investment property and guarantees from the parent entity.

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42. INVESTMENTS IN CONTROLLED ENTITIES

	Country of Incorporation	Class of Share	Equity Holding 2006 %	Equity Holding 2005 %
Parent company				
Gowing Bros. Limited				
Controlled entities				
Reysharn Pty Limited	Australia	Ordinary	100*	100
Toes on the Nose Pty Limited	Australia	Ordinary	100*	100
Gowings Dank St Pty Limited	Australia	Ordinary	100*	100
Laurelco Pty Limited	Australia	Ordinary	100*	100
Gowings Leichhardt Pty Limited	Australia	Ordinary	100	100
Bayview Heights Estate Pty Limited	Australia	Ordinary	100	100
Gowings Properties Pty Limited	Australia	Ordinary	50	50
Gowings Kempsey Pty Limited	Australia	Ordinary	100	100
Zarlee Pty Limited	Australia	Ordinary	100	100

* These entities were de-registered in April 2006.

43. EARNINGS PER SHARE

	Consolidated 2006	Consolidated 2005
Basic earnings per share (cents)	57.53c	20.81c
Diluted earnings per share (cents)	57.53c	20.81c
Weighted average number of ordinary shares on issue	44,361,765	45,108,018
Net profit after tax excluding minority interests	**$25,516,000**	**$9,398,000**

Options

No options were on issue at year end (2005: Nil)

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	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
44. RECONCILIATION OF NET PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES				
Profit from ordinary activities after income tax	25,516	9,398	30,577	6,072
Amortisation of interest rate swap	3	26	26	26
Depreciation	241	300	241	300
Gain on disposal of property, plant and equipment	(18,657)	(293)	(17,542)	-
Net gain on sale of available-for-sale financial assets	(83)	(7,518)	(83)	(7,518)
Fair value gains on other financial assets at fair value through profit or loss	(1,659)	609	(1,659)	609
Dividends received from controlled entities	-	-	(5,138)	-
Share of profits of associates not received as dividends	-	2,061	-	-
Revaluation of investments to market value	-	347	-	5,683
Provisions for doubtful debts	11	(14)	11	(14)
Provisions for employee entitlements	28	2	28	2
Decrease (increase) in receivables	227	81	286	(354)
Decrease (increase) in prepayments	175	(174)	150	(149)
Decrease (increase) in income taxes	(2,556)	(439)	(2,899)	(612)
Increase (decrease) in trade creditors and accruals	(413)	(82)	(446)	336
Net cash inflow from operating activities	**2,833**	**4,304**	**3,552**	**4,381**

45. 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 31.

46. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL STANDARDS

This financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs) applicable for reporting periods ended 31 July 2006.

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. This note provides reconciliations of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS).

a) Investments in Listed Equities

These are long term Marketable equity securities the Board has no intention of disposing investments other than through takeovers, mergers or other exceptional circumstances that arise from time to time. Under AIFRS these investments will be deemed to be "available-for-sale financial assets" and will be recognised at fair value. The impact of this change is to increase the carrying value of investments in other corporations and the revaluation reserve as at 31 July 2005 by $39,121,000 (1 August 2004: $29,422,000) in the consolidated entity, and an increase in the carrying value of investments in other corporations and the revaluation reserve as at 31 July 2005 by $39,119,000 (1 August 2004: $31,643,000) in the parent entity.

b) Investments in Private Equities

Financial assets at fair value through the profit or loss are financial assets held for trading which have no active market and in the main relate to private equities.

The impact of this change is to decrease the carrying value of investments in other corporations by $611,000 as at 31 July 2005. (1 August 2004: $30,000) for the consolidated and parent entity. These unrealised losses have decreased profit by the same amount.

c) Investment Properties

Under previous AGAAP the company measured investment properties on a cost basis. At the date of transition the company made the decision to recognise investment properties at fair value in accordance with AASB 140 *Investment Property*. The effect of this is:

(i) At 1 August 2004

For the consolidated entity there has been an increase in investment properties by $2,529,000. Retained earnings increased by $2,421,000. Deferred tax liabilities have increased by $108,000. For the parent entity there has been an increase in investment properties by $2,169,000. Retained earnings increased by $2,169,000.

(ii) At 31 July 2005

There is no effect at the consolidated or parent entity, other than that noted at 1 August 2004.

(iii) For the year ended 31 July 2005

There is no effect at the consolidated or parent entity, other than that noted at 1 August 2004.

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

d) Deferred Tax Asset and Deferred Tax Liability

Under previous AGAAP income tax expense was calculated by reference to accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of IFRS has resulted in a change in accounting policy. The application of AASB 112 *Income Taxes* has resulted in the recognition of deferred tax liabilities on revaluations of non-current assets (being investment properties, other financial assets at fair value through profit or loss, and available-for-sale financial assets).

(i) At 1 August 2004 and at 31 July 2005

There was no effect on the deferred tax asset on the adoption of AIFRS.

The effects on the deferred tax liability of the adoption of AIFRS are as follows (tax rate 30%):

	Notes	Consolidated 31 July 2005 $'000	Consolidated 1 August 2004 $'000	Parent 31 July 2005 $'000	Parent 1 August 2004 $'000
Increase due to fair value of available-for-sale financial assets	*	8,399	4,432	8,331	4,432
Increase due to fair value of investment properties		257	257	-	-
Decrease due to other financial assets at fair value through profit or loss		(251)	(75)	(183)	(75)
Increase in deferred tax liability		8,405	4,614	8,148	4,357

* These adjustments are also made to asset revaluation reserve

e) Retained Earnings

The effect on retained earnings are as follows:

	Notes	Consolidated 31 July 2005 $'000	Consolidated 1 August 2004 $'000	Parent 31 July 2005 $'000	Parent 1 August 2004 $'000
Other financial assets at fair value through profit or loss					
- gross		(609)	(30)	(609)	(30)
- deferred tax		248	75	248	75
		(361)	**45**	**(361)**	**45**
Investment properties					
- gross		2,529	2,529	2,169	2,169
- deferred tax		(257)	(257)	-	-
		2,272	**2,272**	**2,169**	**2,169**
Other		-	-	(66)	(64)
Total adjustment		**1,911**	**2,317**	**1,742**	**2,150**

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

f) Summary of Transitional Adjustments

At the end of the last reporting period under previous AGAAP: 1 August 2004

		Consolidated			Parent		
	Notes	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000
Current assets							
Cash assets		3,003	-	3,003	2,941	-	2,941
Receivables		1,580	-	1,580	1,126	-	1,126
Investment Loans		7,360	-	7,360	7,360	-	7,360
Other		218	-	218	218	-	218
Total current assets		**12,161**	**-**	**12,161**	**11,645**	**-**	**11,645**
Non-current assets							
Receivables		397	-	397	8,731	-	8,731
Other financial assets at fair value through profit or loss	(b)	3,877	(30)	3,847	9,375	(30)	9,345
Available for sale financial assets	(a)	32,248	29,422	61,670	32,248	31,643	63,891
Investments accounted for using the equity method		2,221	-	2,221	-	-	-
Investment loans		1,260	-	1,260	1,260	-	1,260
Development properties		738	-	738	-	-	-
Investment properties	(c)	55,195	2,529	57,724	49,191	2,169	51,360
Plant and equipment		1,174	-	1,174	1,174	-	1,174
Tax assets		877	-	877	877	-	877
Other		29	-	29	29	-	29
Total Non-Current Assets		**98,016**	**31,921**	**129,937**	**102,885**	**33,782**	**136,667**
Total Assets		**110,177**	**31,921**	**142,098**	**114,530**	**33,782**	**148,312**
Current Liabilities							
Payables		1,052	-	1,052	662	-	662
Interest bearing liabilities		1,071	-	1,071	712	-	712
Tax liabilities		1,236	-	1,236	1,220	-	1,220
Total Current Liabilities		**3,359**	**-**	**3,359**	**2,594**	**-**	**2,594**
Non-Current Liabilities							
Payables		-	-	-	8,221	-	8,221
Interest bearing liabilities		10,443	-	10,443	10,443	-	10,443
Tax liabilities	(d)	780	4,614	5,394	694	4,357	5,051
Provisions		62	-	62	62	-	62
Total Non-Current Liabilities		**11,285**	**4,614**	**15,899**	**19,420**	**4,357**	**23,777**
Total Liabilities		**14,644**	**4,614**	**19,258**	**22,014**	**4,357**	**26,371**
Net Assets		**95,533**	**27,307**	**122,840**	**92,516**	**29,425**	**121,941**
Equity							
Contributed equity		**7,799**	**-**	**7,799**	**7,799**	**-**	**7,799**
Reserves	(a), (c)	68,645	24,990	93,635	68,645	27,275	95,920
Retained profits	(e)	19,089	2,317	21,406	16,072	2,150	18,222
Total parent entity interest		**95,533**	**27,307**	**122,840**	**92,516**	**29,425**	**121,941**
Minority interest		**-**	**-**	**-**			
Total equity		**95,533**	**27,307**	**122,840**	**92,516**	**29,425**	**121,941**

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

At the end of the last reporting period under previous AGAAP: 31 July 2005

	Notes	Consolidated			Parent		
		AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000
Current assets							
Cash assets		9,962	-	9,962	9,885	-	9,885
Receivables		1,599	-	1,599	1,755	-	1,755
Investment Loans		3,591	-	3,591	3,904	-	3,904
Other financial assets at fair value through profit or loss		882	-	882	882	-	882
Other		419	-	419	367	-	367
Total current assets		**16,453**	**-**	**16,453**	**16,793**	**-**	**16,793**
Non-current assets							
Receivables		360	-	360	8,512	-	8,512
Other financial assets at fair value through profit or loss	(b)	6,505	(611)	5,894	6,505	(611)	5,894
Available for sale financial assets	(a)	29,576	39,121	68,697	29,578	39,119	68,697
Investment loans		1,294	-	1,294	1,260	-	1,260
Development properties		5,247	-	5,247	4,501	-	4,501
Investment properties	(c)	56,256	2,529	58,785	49,190	2,169	51,359
Plant and equipment		853	-	853	838	-	838
Tax assets		669	-	669	669	-	669
Other		94	-	94	94	-	94
Total Non-Current Assets		**100,854**	**41,039**	**141,893**	**101,147**	**40,677**	**141,824**
Total Assets		**117,307**	**41,039**	**158,346**	**117,940**	**40,677**	**158,617**
Current Liabilities							
Payables		1,002	-	1,002	1,009	-	1,009
Interest bearing liabilities		609	-	609	443	-	443
Tax liabilities		673	-	673	673	-	673
Total Current Liabilities		**2,284**	**-**	**2,284**	**2,125**	**-**	**2,125**
Non-Current Liabilities							
Payables		-	-	-	8,219	-	8,219
Interest bearing liabilities		12,550	-	12,550	11,550	-	11,550
Tax liabilities	(d)	876	8,405	9,281	791	8,148	8,939
Provisions		65	-	65	65	-	65
Total Non-Current Liabilities		**13,491**	**8,405**	**21,896**	**20,625**	**8,148**	**28,773**
Total Liabilities		**15,775**	**8,405**	**24,180**	**22,750**	**8,148**	**30,898**
Net Assets		**101,532**	**32,634**	**134,166**	**95,190**	**32,529**	**127,719**
Equity							
Contributed equity		**7,110**	**-**	**7,110**	**7,110**	**-**	**7,110**
Reserves	(a), (c)	25,965	30,723	56,688	25,965	30,787	56,752
Retained profits	(e)	68,448	1,911	70,359	62,115	1,742	63,857
Total parent entity interest		**101,523**	**32,634**	**134,157**	**95,190**	**32,529**	**127,719**
Minority interest		**9**	**-**	**9**	**-**		**-**
Total equity		**101,532**	**32,634**	**134,166**	**95,190**	**32,529**	**127,719**

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006

Reconciliation of profit for the year ended 31 July 2005

		Consolidated			Parent		
	Notes	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000
Revenue from continuing operations		32,494	(21,784)	10,710	31,006	(20,823)	10,183
Other income		-	7,811	7,811	-	7,518	7,518
Cost of investments sold		(13,305)	13,305	-	(13,305)	13,305	-
Cost of property sold		(668)	668	-	-	-	-
Cost of plant and equipment sold		-	-		-	-	-
Investment property related expenses		(1,771)	-	(1,771)	(1,424)	-	(1,424)
Employee expenses		(1,507)	-	(1,507)	(1,377)	-	(1,377)
Public company expenses		(278)	-	(278)	(278)	-	(278)
Indirect expenses		(518)	-	(518)	(518)	-	(518)
Borrowing costs expense		(798)	-	(798)	(674)	-	(674)
Depreciation expense		(300)	-	(300)	(300)	-	(300)
Revaluation of investments		(347)	-	(347)	(5,683)	-	(5,683)
Fair value losses on other financial assets at fair value through the profit or loss		-	(609)	(609)	-	(609)	(609)
Share of net losses of associates accounted for using the equity method		(2,061)	-	(2,061)	-	-	-
Profit before income tax expense		**10,941**	**(609)**	**10,332**	**7,447**	**(609)**	**6,838**
Income tax expense		(1,137)	203	(934)	(968)	202	(766)
Profit from continuing operations		**9,804**	**(406)**	**9,398**	**6,479**	**(407)**	**6,072**
Net profit attributable to minority interests		(9)	-	(9)	-	-	-
Net profit attributable to members of Gowing Bros. Limited		**9,795**	**(406)**	**9,389**	**6,479**	**(407)**	**6,072**
Net increase (decrease) in asset revaluation reserve		-	-	-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		**9,795**	**(426)**	**9,389**	**6,479**	**(407)**	**6,072**

47. OTHER INFORMATION

Gowing Bros. Limited is incorporated and domiciled in New South Wales. The registered office, and principal place of business, is Unit 21, Jones Bay Wharf, 26-32 Pirrama Rd, Pyrmont, NSW 2009.

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 2006

In the directors' opinion:

(a) the financial statements and notes set out on pages 24 to 72 are in accordance with the *Corporations Act* 2001, including:

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

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 31 July 2006 and of their performance, as represented by the results of their operations, changes in equity and cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Tony Salier

W. A. SALIER
Director

J. E. GOWING
Director

Sydney
12 October 2006

AUDITORS' INDEPENDENCE DECLARATION

31 JULY 2006

To the Directors of Gowing Bros. Limited:

As lead auditor for the audit of Gowing Bros. Limited for the year ended 31 July 2006, 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.

B. V. Rose
Partner

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

Sydney
12 October 2006

INDEPENDENT AUDIT REPORT

31 JULY 2006

To the members of Gowing Bros. Limited:

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet as at 31 July 2006, and the income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and the directors' declaration for the year ended 31 July 2006 for both Gowing Bros. Limited ("the company") and the consolidated entity as set out on pages 24 to 73. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of key management personnel (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 15 to 19 of the directors' report, as permitted by the Corporations Regulations 2001.

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, changes in equity 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

INDEPENDENT AUDIT REPORT

31 JULY 2006

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.

The Directors Report attached to the financial statements includes a copy of the Independence Declaration dated 12 October 2006 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 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

B V ROSE
Partner

Sydney
12 October 2006

MARKET VALUE OF INVESTMENTS

31 JULY 2006

Top 20 Listed and Other Investments Shares / Notes / Options	Market Value $
BHP Billiton Limited	13,033,933
Westpac Banking Corporation	6,806,800
Woodside Petroleum Limited	5,561,587
Rio Tinto Limited	5,353,920
Soul Pattinson & Co. Limited	3,900,000
Macquarie Equities(Macquarie Bank Limited)	3,711,000
Australian Stock Exchange Limited	3,648,280
National Australia Bank limited	3,590,000
ANZ Banking Group Limited	3,506,341
Woolworths Limited	3,427,200
St. George Bank Limited	3,294,750
Alesco Corporation Limited	3,276,000
John Fairfax Holdings Limited	2,800,000
Carlton Investments Limited	2,783,386
Noni B Limited	2,695,220
Hills Industries Limited	2,536,040
Blackmores Limited	2,523,432
Invocare Limited	2,034,000
Coates Hire Limited	1,990,400
ARB Corporation Limited	1,585,000
Other	19,495,031
Total	**97,552,321**

Private Equity Investments	Market Value $
MEIF Sophisticated Investor Fund	1,615,310
Macquarie Investment Trust IIIA	380,000
Macquarie Wholesale Co-Investment Fund	2,578,800
Crescent Capital Partners Ltd	350,000
Crescent Capital Partners Growth Fund	2,102,355
Crescent Capital Partners II LP	2,230,800
Gowings Property Development Fund	986,001
Other Investments	325,100
Sub-total private equity investments	10,590,346
Total investments	**108,142,667**

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 2006 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.gowings.com.au

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	32 years	Michael Alscher	7 years
John Gowing	24 years	John Parker	5 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 - resigned 6 July 2006

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 pages 15-19 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		

CORPORATE DIRECTORY

DIRECTORS

W. A. SALIER Chairman

J. E. GOWING Managing Director

J. G. PARKER

SECRETARY

J. S. BYERS

STOCK EXCHANGE LISTING

GOWING BROS. LIMITED SHARES ARE LISTED

ON THE AUSTRALIAN STOCK EXCHANGE

REGISTERED OFFICE

UNIT 21, JONES BAY WHARF

26-32 PIRRAMA RD

PYRMONT NSW 2009

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

INVESTING TOGETHER

FOR A SECURE FUTURE

GOWING BROS. LIMITED

ACN 000 010 471