



## MANAGING DIRECTOR'S REVIEW OF OPERATIONS for the year ended 31 July 2006

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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 Market Street was taken after a management review of comparative returns over 40 years between our listed equities portfolio and Market Street. Not only were the returns from the listed investment portfolio consistently higher than the returns 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 of 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" below.

#### 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.

#### 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. With over \$50 million in the bank today, Gowings is well positioned to take advantage of such opportunities, particularly if the current period of volatility continues.



## Summary Financial Results

As at 31 July	2006	2005
	\$'000	\$'000
Investment Management	4,010	4,113
Property Management	957	2,196
Property Development	861	47
Overheads	(1,414)	(1,190)
<b>Operating Profit Before Tax</b>	<b>4,414</b>	<b>5,166</b>
<b>Significant Items</b>		
- 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	482
- Revaluation of 'Current' Investments	(882)	(347)
- Equity accounted loss of G Retail Ltd	-	(2,061)
- Write down terminated lease fixtures	(596)	-
<b>Net Profit from Significant Items</b>	<b>19,324</b>	<b>6,256</b>
<b>Net Profit Before Tax</b>	<b>23,738</b>	<b>11,422</b>
Income Tax Benefit/(Expense)	1,778	(1,137)
Outside Equity Interests	6	(9)
<b>Net Profit After Tax</b>	<b>25,522</b>	<b>10,276</b>

As At 31 July	2006	2005
Net Assets at Market Value	\$170,063,000	\$142,573,000
Shares Outstanding	43,889,548	45,081,822
<b>Net Assets Per Share</b>	<b>\$3.87</b>	<b>\$3.16</b>
<b>Reconciliation of Movement in Net Assets</b>		
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

### INVESTMENT PORTFOLIO at market value

Listed equities*	97,552,000
Private equity investments**	10,590,000
Net other assets	3,319,000
Cash on hand	53,942,000
<b>TOTAL INVESTMENT PORTFOLIO</b>	<b>165,403,000</b>

### 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)
<b>TOTAL PROPERTY PORTFOLIO</b>	<b>4,660,000</b>

<b>NET ASSETS</b> (before tax on unrealised gains)	<b>170,063,000</b>
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<b>Which equates to a market value per share of ^</b>	<b>\$3.87</b>
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^\$170,063m / 43,889,548 shares on issue

<b>NET ASSETS</b> (after estimated tax on unrealised gains)	<b>158,234,000</b>
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<b>Which equates to a market value per share of</b>	<b>\$3.61</b>
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### \* 10 LARGEST EQUITY HOLDINGS

BHP Billiton Limited	13,034,000
Westpac Banking Corporation Limited	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	45,014,000
<b>TOTAL</b>	<b>97,552,000</b>

### \*\* PRIVATE EQUITY INVESTMENTS

MIT 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
<b>TOTAL</b>	<b>10,590,000</b>

NOTE: Valuations are made before tax on unrealised capital gains. Private equity valuations are based on the manager's most recent valuations.

Property valuations are based on management's opinion of fair market value arrived at after appropriate consultation with real estate advisors, valuers and joint venture partners.

# PRELIMINARY FINAL REPORT

YEAR ENDED 31 JULY 2006



G O W I N G B R O S

Investing Together for a Secure Future

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

In accordance with Listing Rule 4.2A

				\$'000
Revenue from continuing operations	down 17.6%	to		8,820
Profit from continuing operations after tax	up 172.1%	to		25,516
Net profit for the period attributable to members	up 172.4%	to		25,522

Dividends	Cents per security	% franked per security	LIC capital gains tax
<b>Current period</b>			
Final dividend	5.0	100%	-
Interim dividend	3.5	100%	Yes
	8.5		
<b>Previous period</b>			
Final dividend	3.5	100%	Yes
Interim dividend	3.5	100%	-
Special dividend	3.0	100%	Yes
	10.0		

Record date for determining entitlements to dividends 11 October 2006

Dividend payment date 25 October 2006

### Commentary on the results for the period

Refer to Managing Director's Review of Operations

**INCOME STATEMENT**

YEAR ENDED 31 JULY 2006

		<b>Consolidated</b>	
	<b>Notes</b>	<b>2006</b>	<b>2005</b>
		<b>\$'000</b>	<b>\$'000</b>
Revenue from continuing operations	3	8,820	10,710
Other income	4	20,399	7,811
Investment property related expenses		(2,269)	(1,771)
Employee expenses		(1,574)	(1,507)
Public company expenses		(335)	(278)
Indirect expenses		(276)	(518)
Borrowing cost/expenses		(786)	(798)
Depreciation expense		(241)	(300)
Fair value losses on other financial assets at fair value through profit or loss		-	(956)
Share of net losses of associates accounted for using the equity method		-	(2,061)
<b>Profit before income tax expense</b>		<b>23,738</b>	<b>10,332</b>
Income tax benefit (expense)	6	1,778	(954)
<b>Profit from continuing operations</b>		<b>25,516</b>	<b>9,378</b>
Net (profit) / loss attributable to minority interest		6	(9)
<b>Profit attributable to members of Gowing Bros. Limited</b>		<b>25,522</b>	<b>9,369</b>
Basic earnings per share	9	57.53c	20.78c
Diluted Earnings per Share	9	57.53c	20.78c

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

**BALANCE SHEET**

YEAR ENDED 31 JULY 2006

		<b>Consolidated</b>	
	<b>Notes</b>	<b>2006</b>	<b>2005</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Current Assets</b>			
Cash assets		53,942	9,962
Trade and other receivables		1,675	1,599
Investment loans		1,260	3,591
Investment properties		650	-
Tax assets		674	-
Available for sale financial assets		-	882
Other		194	419
<b>Total Current Assets</b>		<b>58,395</b>	<b>16,453</b>
<b>Non-Current Assets</b>			
Receivables		51	360
Available for sale financial assets		97,553	68,697
Other financial assets at fair value through profit or loss		10,590	5,894
Investment loans		-	1,294
Development properties		873	746
Investment properties		13,137	63,286
Plant & equipment		1,535	853
Tax assets		1,430	669
Other		94	94
<b>Total Non-Current Assets</b>		<b>125,263</b>	<b>141,893</b>
<b>Total Assets</b>		<b>183,658</b>	<b>158,346</b>
<b>Current Liabilities</b>			
Payables		565	1,002
Interest bearing liabilities		-	609
Tax liabilities		-	673
<b>Total Current Liabilities</b>		<b>565</b>	<b>2,284</b>
<b>Non-Current Liabilities</b>			
Interest bearing liabilities		12,850	12,550
Tax liabilities		11,914	9,281
Provisions		94	65
<b>Total Non-Current Liabilities</b>		<b>24,858</b>	<b>21,896</b>
<b>Total Liabilities</b>		<b>25,423</b>	<b>24,180</b>
<b>Net Assets</b>		<b>158,235</b>	<b>134,166</b>
<b>Equity</b>			
Contributed equity		3,608	7,110
Reserves		37,238	56,688
Retained profits	7	117,386	70,359
<b>Total parent entity interest</b>		<b>158,232</b>	<b>134,157</b>
Minority interest in controlled entities	8	3	9
<b>Total Equity</b>		<b>158,235</b>	<b>134,166</b>

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



## STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 JULY 2006

	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Total equity at the beginning of the year</b>	<b>134,166</b>	<b>122,840</b>
Profit attributable to shareholders for the year	25,522	9,369
Changes in the fair value of available for sale financial assets, net of tax	6,511	6,590
Transactions with shareholders in their capacity as shareholders:		
Decreases through buybacks of shares	(3,502)	(1,527)
Dividends paid	(4,462)	(3,106)
<b>Total equity at the year ended attributable to shareholders</b>	<b>158,235</b>	<b>134,166</b>

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



## STATEMENT OF CASH FLOWS

YEAR ENDED 31 JULY 2006

	Consolidated	
	2006	2005
	\$'000	\$'000
<b>Cash Flows from Operating Activities</b>		
Receipts from customers (inclusive of GST)	4,733	7,265
Payments to suppliers & employees (inclusive of GST)	(5,023)	(4,878)
Dividends received	3,151	2,701
Interest received	1,534	1,312
Borrowing costs	(783)	(700)
Income taxes paid	(779)	(1,396)
<b>Net Cash Inflows from Operating Activities</b>	<b>2,833</b>	<b>4,304</b>
<b>Cash Flows from Investing Activities</b>		
Payments for purchases of plant & equipment	(1,523)	(69)
Payments for financial assets	(28,269)	(14,330)
Payments for purchase of property	(3,617)	(6,625)
Proceeds from sale of plant & equipment	73	-
Proceeds from loan repayments	3,591	-
Proceeds from sale of financial assets	6,038	25,103
Proceeds from sale of property	72,128	1,324
Loans to other entities	-	(545)
<b>Net Cash Inflows (Outflows) from Investing Activities</b>	<b>48,421</b>	<b>4,858</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from share issues	-	33
Proceeds from borrowings	1,300	3,097
Payments for shares bought back	(3,502)	(1,526)
Repayment of lease liabilities	(443)	(530)
Repayment of borrowings	(167)	(696)
Dividends paid	(4,462)	(2,356)
<b>Net Cash Outflows from Financing Activities</b>	<b>(7,274)</b>	<b>(1,978)</b>
<b>Net Increase (Decrease) in Cash Held</b>	<b>43,980</b>	<b>7,184</b>
Cash at the beginning of the financial year	9,962	2,778
<b>Cash at the end of the financial year</b>	<b>53,942</b>	<b>9,962</b>
<b>Reconciliation of cash</b>		
Cash at bank and on hand	72	205
Deposits at call	53,870	9,757
Bank overdrafts	-	-
<b>Total cash at end of period</b>	<b>53,942</b>	<b>9,962</b>

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





## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

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### 1. BASIS OF PREPARATION OF PRELIMINARY FINAL REPORT

This preliminary general purpose final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is the first Gowing Bros. Limited preliminary final report to be prepared in accordance with AIFRS. AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of Gowing Bros. Limited until 31 July 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Gowing Bros. Limited preliminary final report for the year ended 31 July 2006, management has amended certain accounting and valuation methods applied in the previous AGAAP financial statements to comply with AIFRS.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the group's equity and its net income are given in Note 13.

This preliminary final report has 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 property.

This report is based on financial statements which are in the process of being audited.

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## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

	Property Operations	Investments	Intersegment Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000
<b>2. SEGMENT INFORMATION</b>				
<b>Business Segments - 2006</b>				
Revenue from outside the consolidated entity	4,316	4,504	-	8,820
Intersegment revenue	59	-	(59)	-
<b>Total revenue</b>	<b>4,375</b>	<b>4,504</b>	<b>(59)</b>	<b>8,820</b>
Other income	18,657	1,742	-	20,399
Profit before income tax	19,434	4,304	-	23,738
Income tax benefit				1,778
<b>Profit for the year</b>				<b>25,516</b>

<b>Business Segments - 2005</b>				
Revenue from outside the consolidated entity	5,380	5,330	-	10,710
Intersegment revenue	56	-	(56)	-
<b>Total revenue</b>	<b>5,436</b>	<b>5,330</b>	<b>(56)</b>	<b>10,710</b>
Other income	293	7,518	-	7,811
Share of net profits (losses) of associates	-	(2,061)	-	(2,061)
Profit before income tax	2,480	7,852	-	10,332
Income tax expense				(954)
<b>Profit for the year</b>				<b>9,378</b>

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

	Consolidated	
	2006	2005
	\$'000	\$'000
<b>3. REVENUE</b>		
<b>Revenue From Continuing Operations</b>		
Interest	1,216	1,887
Dividends	3,151	2,701
Rent	2,944	4,167
Other investment revenue	114	760
Other property revenue	643	878
Other revenue	752	317
<b>Revenue from continuing operations (excluding equity accounted net profits of associates)</b>	<b>8,820</b>	<b>10,710</b>

### 4. OTHER INCOME

Fair value gains on other financial assets at fair value through profit or loss	1,659	-
Net gain on sale of available for sale financial assets	83	7,518
Net gain on disposal of property, plant and equipment	18,657	293
	<b>20,399</b>	<b>7,811</b>

### 5. OPERATING PROFIT

Profit from continuing operations before income tax expense includes the following individually significant items:

Private equity investment distributions	113	664
Realised gains on other financial assets at fair value through profit or loss	374	(347)
Unrealised gains on other financial assets at fair value through profit or loss	1,285	(609)
Share of net loss of associate (G Retail Ltd)	-	(2,061)
Fair value gains on other financial assets at fair value through profit or loss	375	-
Net gain on sale of available for sale financial assets	965	7,518
Write-down of fixtures and fittings of terminated leases	(600)	-
Profit on sale of 45 Market Street	18,065	-

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

	Consolidated	
	2006	2005
	\$'000	\$'000

### 6. INCOME TAX EXPENSE

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

Profit from continuing operations before income tax expense	23,738	10,332
Tax at the Australian tax rate of 30% (2005 - 30%)	7,122	3,099
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net (profit) loss of G Retail Ltd accounted for using the equity method	-	618
Non-assessable income	307	29
Non-deductible expenses	271	2
Revaluation of current assets	-	(1,619)
Accounting profit on disposal of investment properties	(7,608)	(2,255)
Tax profit on disposal of other financial assets	-	1,815
Franked dividends	(888)	(774)
Deferred tax asset on tax losses carried forward	(781)	-
Under (over) provision in prior year	(201)	39
<b>Income tax (benefit) expense</b>	<b>(1,778)</b>	<b>954</b>

### 7. RETAINED PROFITS

Retained profits at the beginning of the financial year	70,359	21,406
Net profit attributable to members of Gowing Bros Limited	25,522	9,369
Aggregate of amounts transferred from reserves	25,967	42,690
Dividends paid	(4,462)	(3,106)
<b>Retained profits at end of the financial year</b>	<b>117,386</b>	<b>70,359</b>

### 8. MINORITY INTERESTS

Interest in:

Contributed equity	-	-
Retained profits	3	9
	<b>3</b>	<b>9</b>



## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

	Consolidated	
	2006	2005
<b>9. RATIOS</b>		
<b>Profit before tax/revenue</b>		
Consolidated profit/(loss) from continuing operations before tax as a percentage of revenue	269.1%	96.5%
<b>Profit after tax/minority interests</b>		
Consolidated net profit (loss) from continuing operations after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	16.1%	7.0%
<b>Earnings per share (EPS)</b>		
Basic earnings per share	57.53c	20.78c
Diluted earnings per share	57.53c	20.78c
	<b>\$'000</b>	<b>\$'000</b>
Reconciliation of earnings used in calculating earnings per share:		
Net profit	25,516	9,378
Net profit attributable to outside equity interests	6	(9)
Earnings used in calculating basic earnings per share	25,522	9,369
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share and diluted earnings per share	44,361,765	45,081,822
<b>Net tangible asset (NTA) backing</b>		
NTA per ordinary security before tax on unrealised gains <sup>1</sup>	\$3.87	\$3.16
NTA per ordinary security after tax on unrealised gains <sup>2</sup>	\$3.61	\$2.98

1. The NTA per share at market value is before providing for deferred tax on unrealised gains on its long term investment portfolio. The company is a long term investor and does not intend on disposing its long term investment portfolio. Valuations are based on managements best estimations of market prices referring to ASX prices, private equity manager reports, and with reference to the most recent property valuations and consultation with real estate advisors.

2. Under current accounting standards, the company is required to provide for tax on any gains that would arise on such a theoretical disposal.

### Options

No options on issue at the time of this report.

**NOTES TO THE FINANCIAL STATEMENTS**  
 YEAR ENDED 31 JULY 2006

**10. DIVIDENDS**

Date the dividend is payable 25/10/2006

Record date to determine entitlements to the dividend (i.e. on the basis of security holding balances established by 5.00pm or such later time permitted by SCH Business Rules) 11/10/2006

	Amount per security	Franked amount per security at 30% tax
<b>Final dividend:</b> current year to 31 July 2006 fully franked	5.0c	5.0c
Previous corresponding period fully franked LIC capital gains tax	3.5c	3.5c
<b>Special dividend:</b> current year to 31 July 2006	-	-
Previous corresponding period fully franked LIC capital gains tax	3.0c	3.0c
<b>Interim dividend:</b> current year to 31 July 2006 fully franked LIC capital gains tax	3.5c	3.5c
Previous corresponding period fully franked	3.5c	3.5c

	<b>2006</b> \$'000	<b>2005</b> \$'000
<b>Interim and final dividends paid on all securities</b>		
Ordinary securities	4,462	3,106
Preference securities	-	-
Other equity instruments	-	-
<b>Total</b>	<b>4,462</b>	<b>3,106</b>

**Dividend plan in operation:**

The operation of the company's Dividend Reinvestment Plan and Bonus in Lieu Plan is suspended until further notice.

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

### 11. MATERIAL INTERESTS IN ENTITIES WHICH ARE NOT CONTROLLED ENTITIES, AND JOINT VENTURE OPERATIONS.

The economic entity has an interest (that is material to it) in the following entities, and joint venture operations:

	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	2006	2005	2006 \$'000	2005 \$'000
<b>Equity accounted associates, and joint venture operations:</b>				
<b>Associates</b>				
G Retail Ltd*	7 November 2005	19.58%	-	(2,061)
<b>Joint Venture Operations</b>				
Macleay Retail Development	11 April 2006	50.00%	710	(82)
Bunya Pines Estate Joint Venture	50.00%	50.00%	291	293
Regional Retail Properties	50.00%	50.00%	(197)	30
Kemp Street Joint Venture	50.00%	-	-	-
Verge Street Joint Venture	50.00%	-	-	-
			<b>804</b>	<b>(1,820)</b>

\* G Retail Ltd was an equity accounted associate until 31/10/04.

Gowing Bros. Ltd holding was reduced to 19.58% after a rights issue completed by G Retail Ltd on 29/12/2004 and this current financial asset is included at market value in the consolidated balance sheet.

### 12. ISSUED AND QUOTED SECURITIES AT END OF CURRENT PERIOD

	No. quoted	Total No.
<b>Ordinary securities</b>		
Opening Balance	45,081,822	45,081,822
Changes during current period		
(a) Increases through issues	-	-
(b) Decreases through returns of capital, buybacks	(1,192,274)	(1,192,274)
<b>Closing Balance</b>	<b>43,889,548</b>	<b>43,889,548</b>

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

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### 13. EXPLANATION OF TRANSITION TO AIFRS

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

#### (i) Investment Properties

Investment properties are initially measured at cost and subsequently adjusted to fair value with changes in fair value reflected in the income statement.

#### (ii) Long term Investments

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

#### (iii) Investments deemed short term and available for sale

Private equities are revalued at fair market value with changes recorded in the income statement along with realised gains and losses.

#### (iv) Income Tax

Under the balance sheet approach, income tax on the profit for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

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

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

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## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

### Reconciliation of profit

	Previous GAAP	Effect of transition of AIFRS	AIFRS
	\$'000	31 July 2005 \$'000	\$'000
Revenue from ordinary activities	32,494	(21,784)	10,710
Other income	-	7,811	7,811
Cost of investments sold	(13,305)	13,305	-
Cost of property sold	(668)	668	-
Cost of plant and equipment sold	-	-	-
Investment property related expenses	(1,771)	-	(1,771)
Employee expenses	(1,507)	-	(1,507)
Public company expenses	(278)	-	(278)
Indirect expenses	(518)	-	(518)
Borrowing costs expense	(798)	-	(798)
Depreciation expense	(300)	-	(300)
Fair value losses on other financial assets at fair value through the profit or loss	(347)	(609)	(956)
Share of net losses of associates accounted for using the equity method	(2,061)	-	(2,061)
<b>Profit from ordinary activities before income tax expense</b>	<b>10,941</b>	<b>(609)</b>	<b>10,332</b>
Income tax expense	(1,137)	183	(954)
<b>Net profit</b>	<b>9,804</b>	<b>(426)</b>	<b>9,378</b>
Net profit attributable to outside equity interest	(9)	-	(9)
<b>Net profit attributable to members of Gowing Bros. Limited</b>	<b>9,795</b>	<b>(426)</b>	<b>9,369</b>



GOWING BROS. LIMITED  
ABN 68 000 010 471

G O W I N G B R O S  
Investing Together for a Secure Future

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

### Reconciliation of equity

	Effect of			Effect of		
	Previous GAAP	transition of AIFRS	AIFRS	Previous GAAP	transition of AIFRS	AIFRS
	31 July 2004			31 July 2005		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	12,161	-	12,161	16,453	-	16,453
Non-current assets - other financial assets	38,346	29,392	67,738	36,081	38,510	74,591
Non-current assets - investment properties	57,723	2,529	60,252	60,757	2,529	63,286
Non-current - other	1,947	-	1,947	4,016	-	4,016
<b>Total Assets</b>	<b>110,177</b>	<b>31,921</b>	<b>142,098</b>	<b>117,307</b>	<b>41,039</b>	<b>158,346</b>
Current Liabilities	3,359	-	3,359	2,284	-	2,284
Non-current liabilities - deferred tax	780	4,614	5,394	876	8,405	9,281
Non-current liabilities - other	10,505	-	10,505	12,615	-	12,615
<b>Total Liabilities</b>	<b>14,644</b>	<b>4,614</b>	<b>19,258</b>	<b>15,775</b>	<b>8,405</b>	<b>24,180</b>
<b>Net Assets</b>	<b>95,533</b>	<b>27,307</b>	<b>122,840</b>	<b>101,532</b>	<b>32,634</b>	<b>134,166</b>
Equity - contributed equity	7,799	-	7,799	7,110	-	7,110
Reserves	68,645	24,990	93,635	25,965	30,723	56,688
Retained profits	19,089	2,317	21,406	68,448	1,911	70,359
Outside equity interest	-	-	-	9	-	9
<b>Total Equity</b>	<b>95,533</b>	<b>27,307</b>	<b>122,840</b>	<b>101,532</b>	<b>32,634</b>	<b>134,166</b>

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

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### 14. COMMENTS BY DIRECTORS

**Material factors affecting the revenue and expenses of the economic entity for the current period.**

Refer to Managing Director's Review of Operations.

**Description of event(s) since the end of the current period which has had a material effect and is not already reported elsewhere in this financial report**

None

**Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.**

The Company has sufficient franking credits (\$9.1 million) to fully frank all dividends that have been declared.

**Other information**

None

**Annual meeting**

The annual meeting will be held on 23 November 2006.

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