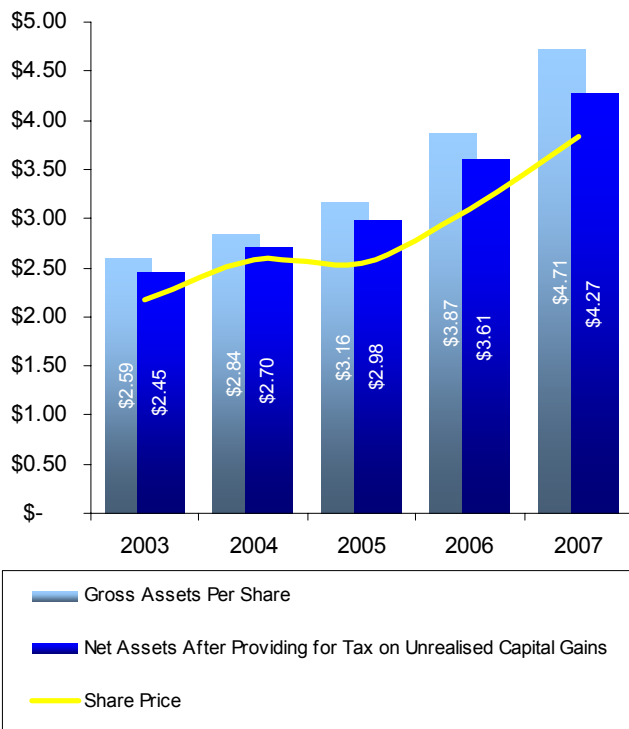




31 JULY 2007 YEAR END COMMENTARY

An Exceptional Year



The year ended 31 July 2007 was an exceptional year for our company. Gross assets per share grew by 24.3% to \$4.71 as a result of strong appreciation in the underlying value of all asset classes.

Gross assets grew to a milestone \$201 million from \$170 million in the prior year after the payment of \$4.3 million in dividends and buying back \$4.1 million of the company's shares.

Final Dividend plus Special Dividend

The directors have declared a final dividend of 5c per share. In addition, a special dividend of 5c has also been declared following significant capital gains of \$11 million realised during the year.

	Amount	Franking
Special*	5c	100% fully franked LIC capital gains
Final*	5c	100% fully franked LIC capital gains
Interim	5c	100% fully franked ordinary
Total	15c	

\* Record date: 11 October 2007

Continuing Growth in Shareholder Wealth

Shareholder Returns	1 Year	3 Year	5 Year
Opening net assets per share*	\$3.87	\$2.84	\$2.53
Closing net assets per share*	\$4.71	\$4.71	\$4.71
Increase in net assets	\$0.84	\$1.87	\$2.18
Dividends paid	\$0.10	\$0.27	\$0.44
Total return	\$0.94	\$2.14	\$2.62
% Total Return	24.3%	75.4%	103.6%
% Average Annual Return	24.3%	25.1%	20.7%

\* Before providing for tax on unrealised gains

Recurring Earnings Doubled

Income Statement	2007	2006	
	\$000	\$000	%
Interest income	2,599	1,216	114%
Listed equities income	4,655	3,147	48%
Private equities income	185	487	(62%)
Investment property income	386	684	(44%)
Operating expenses	(2,249)	(2,430)	(7%)
Interest expense	(973)	(786)	24%
<b>Recurring earnings</b>	<b>4,603</b>	<b>2,318</b>	<b>99%</b>
<b>Realised capital gains</b>			
Listed equities	5,829	83	6923%
Private equities	5,139	-	na
Investment properties	176	18,965*	(99%)
Development properties	167	291	(43%)
Other	165	796	(79%)
<b>Total realised capital gains</b>	<b>11,476</b>	<b>20,135</b>	<b>881%</b>
Unrealised gains – private equity	1,409	1,285	10%
Unrealised gains – property	2,611	-	na
<b>Net profit before tax</b>	<b>20,099</b>	<b>23,738</b>	<b>(15%)</b>
Income tax (expense) credit	(4,763)	1,778	(368%)
Minority interest	-	6	na
<b>Net profit after tax</b>	<b>15,336</b>	<b>25,522</b>	<b>(40%)</b>

\* Prior year profit included one-off gain on sale of Market St property.

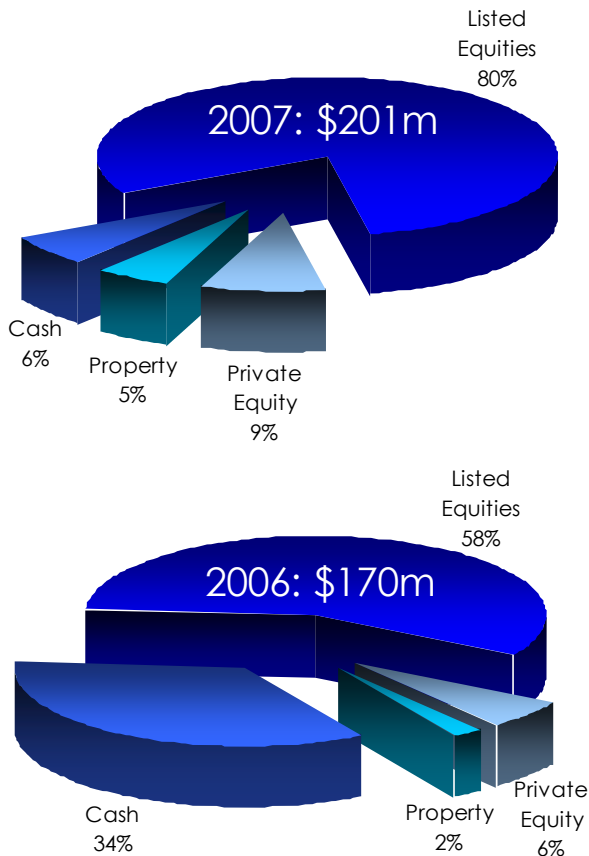


GOWING BROS

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# 31 JULY 2007 YEAR END COMMENTARY

## Diversified Investment Portfolio



## Cash and Interest Bearing Securities (\$12m)

Cash on hand and short term interest bearing securities represented 6% or \$12 million of our total portfolio at year end. Cash balances reduced systematically during the year as new investments were made, predominantly in listed equities, and to a lesser extent in our managed private equity portfolio.

Post year end, the company increased its cash holdings by selling various fully priced listed equities. These funds will be redeployed selectively as value and stability re-emerge in global markets.

Cash holdings will further increase if various investment properties currently being marketed are sold.

## Property Investments (\$11m)

The company had gross property investments of \$24.6 million or \$11m after debt in various retail, commercial, industrial and residential properties.

Property investments are made on an opportunistic basis where higher returns can be generated relative to our listed equity portfolio. Property investments are generally made with joint venture partners where we can assume a relatively passive investment role.

Current year property investment highlights include:

### Dundee Beach Tourist Park

The company purchased a freehold 26 acre tourist park on prime beachfront land located an hour south east of Darwin. During the year, a development approval was successfully obtained to allow for significant facility upgrades. Post year end, the company is considering a profitable sale of the property following a conditional offer being received.

### Norton Street Leichhardt Retail Reconfiguration

The valuation of our joint venture Norton Street retail property increased 47% or \$1.9 million following a significant tenant reconfiguration to maximise future rental yields. New tenants, including Westpac, were secured under favourable long term leases. The building's occupancy rate is 100%. An expression of interest campaign is currently being run to evaluate the potential sale of the building.

### Bong Bong Street Bowral Retail Development

The valuation of our joint venture Bong Bong Street retail property increased 17% or \$0.6 million following development completion during the year. The building is near full occupancy on lease terms slightly better than our original forecast. An expression of interest campaign is also being run to determine its current value and sale potential.



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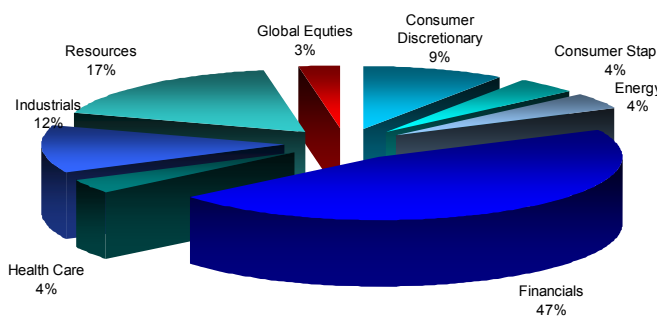
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## 31 JULY 2007 YEAR END COMMENTARY

### Listed Equities (\$160m)

The listed equity portfolio including Australian and international shares delivered a 29.2% return for the year ending 31 July 2007.

International diversification assisted us to outperform the Australian market in the final quarter of the year.



Strong share price performances in our listed Australian portfolio include the following companies.

Company	Share Price Increase	Holding
Everest Babcock and Brown	177%	\$1,270,115
Regional Express Holdings	84%	\$522,000
West Australian Newspapers*	77%	\$1,726,889
Aspen Group	73%	\$2,838,712
Blackmores Limited	73%	\$4,665,668
Vision Systems Limited*	71%	\$1,501,569
Australian Agricultural Co	69%	\$921,000
Alesco Corporation Limited	57%	\$5,130,000
Harvey Norman Limited	54%	\$2,380,500
Australian Stock Exchange	50%	\$5,469,075
Babcock & Brown Limited	46%	\$1,014,840
Fleetwood Corporation	46%	\$961,611
Woolworths Limited	43%	\$4,912,200
Macquarie Airports	42%	\$1,311,000
Aditya Birla Minerals Limited	42%	\$1,038,000
Rinker Group Limited*	41%	\$1,558,502
Coffey International	40%	\$1,003,718
Souls Private Equity Limited	39%	\$1,250,000
Nomad Building Solutions	38%	\$308,000
Invocare Limited	38%	\$2,799,000
ARB Corporation Limited	34%	\$2,125,000
Macquarie Bank	33%	\$5,396,078
BHP Billiton Limited	33%	\$17,366,061
WOTIF.COM Holdings	33%	\$588,000
Lend Lease Corporation	31%	\$465,750
Rural Press Limited*	31%	\$1,797,922
Imdex Limited	30%	\$300,000
Carlton Investments	30%	\$4,354,835
Soul Pattinson & Co Limited	27%	\$4,960,000
Hills Industries Limited	26%	\$3,202,866
RIO Tinto Limited	25%	\$6,701,760

\* Denotes sold during year

We continue to monitor emerging global trends which will drive significant shifts in future consumption, behaviour and economies.

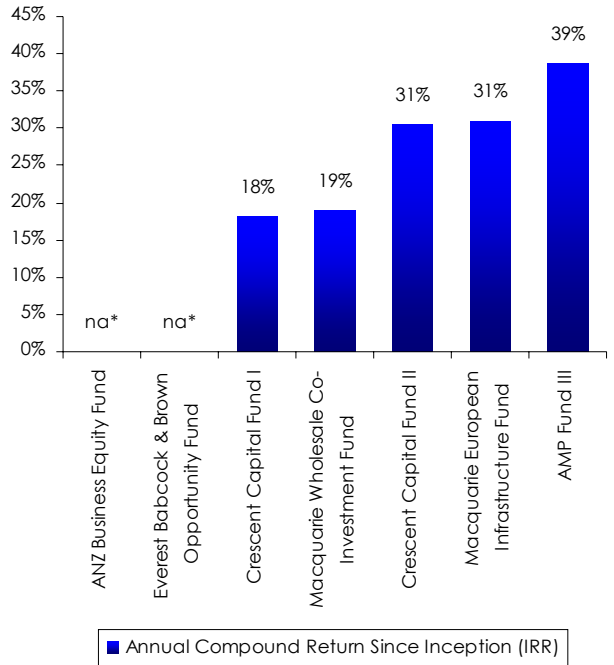
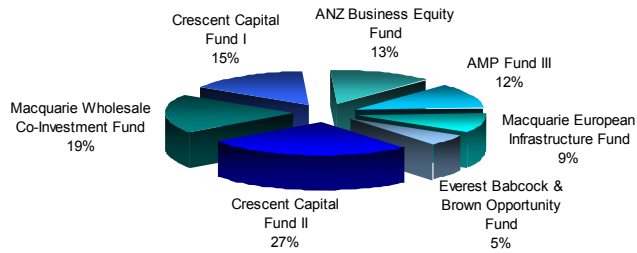
Ideally we would prefer to invest in such trends through a leading Australian company. However, many industries are simply not well represented in Australia.

During the final quarter of the year, the company made 6 initial investments, which generated a 14% return over the 3 month period to year end. In particular, TomTom rose 46% and was sold post year end due to its significant rise in valuation and inherent uncertainty in global credit markets.

Company	Trend	Investment Thesis
Apple Inc, USA	Increasing penetration of the internet, convergence of technologies and digitisation of media, entertainment and communication.	Leading the world in delivery of mobile digitisation. Makes complex products cool and easy to use. Strong culture of innovation, brand, marketing, execution, strategy, vertical integration and management.
Archer Daniels Midland, USA	Increasing consumption of soft commodities from developing nations and use of biofuels.	Largest agribusiness company in the world. Strengths include strong management, significant intellectual property, vertical integration, barriers to entry, and economies of scale.
Deere & Co, USA	Rising commodity prices have increased farm incomes. Farmers are purchasing new and larger equipment to take advantage of the up cycle.	Largest supplier of agricultural farm equipment in the world. Market share is twice as large as CAT. Growing market share and export sales. Best brand, strong management, strong business model, financialisation, weak USD beneficiary, rising export sales.
Dairy Equities, NZ	Rising incomes in populous developing countries is increasing the demand for milk products.	Provides exposure to Fonterra. Fonterra is a co-op owned by 11,000 NZ dairy farmers. Fonterra controls 95% of NZ's milk supplies and accounts for 30% of the global export market.
Textron, USA	Rising personal and corporate wealth is increasing demand for more efficient travel. Increasing airport security and administrative regulations is increasing travel times.	Leading corporate jet manufacturer with 2 year backorder book (45% of earnings). Bell Helicopter in restructuring mode + benefiting from increasing military spend (25%). Financialisation 15%. Strong mgt implementing 6-sigma philosophies.
TomTom, USA	Satnav penetration increasing worldwide as technology improves and costs are reduced.	Best positioned with leading products, highest R&D, highest market share and largest operational scale. Strong management strategically positioning company with proposed purchase of TeleAtlas Maps.



**Managed Private Equities (\$18m)**



Investments in managed private equity accounted for 9% of our investment portfolio at year end. Gowings currently has \$17.9 million invested across 6 different managers with further commitments of \$8 million to be called.

Current year returns from our private equity portfolio have been the best on record and were fundamental in providing significant capital gains to pay the special dividend declared.

Key highlights are set out below;

Crescent Capital – Partial sale of interest in manager

One of the earliest private equity investments made was as a founding investor in the manager of Crescent Capital for \$350,000. We are pleased to report Gowings sold part of this investment during the year for \$2.4 million. In addition, Gowings retains an interest in the manager for Crescent Fund's I and II.

Crescent Fund II – 7 times realisation

Crescent Capital sold a mining services business during the year which accounted for approximately 12.2c in the dollar of the fund's investments at cost. The proceeds from sale resulted in a distribution to Gowings of 90.3c or \$3.6 million.

AMP Capital Fund III – 6 times realisation

Shortly after year end, AMP Capital sold a water business to Alesco which accounted for approximately 9c in the dollar of the fund's investments at cost. The proceeds from sale resulted in a distribution to Gowings of 53c or \$1.1 million received in August 2007.

\* Investments in these funds are less than 12 months old and are carried at cost.

Gowings has been investing in managed private equity funds for approximately 10 years. In essence, Gowings acts as a fund-of-funds providing access to the best managers and diversification of underlying investments.

Our investment philosophy is to use our relationships to access managers with a unique advantage as follows:

Fund	Competitive Advantage
AMP Fund III	Access to baby boomers that have an association with AMP and require liquidity / exit.
ANZ Business Equity Fund	Source deals through 400 business bank lenders
Crescent Capital	Small manager with strong origination capabilities
Everest Babcock & Brown Opportunity Fund	Benefits from relationship with Babcock & Brown
Macquarie European Infrastructure Fund	First mover advantage having specialist infrastructure and operational expertise
Macquarie Wholesale Co-Investment Fund	Proven ability to selectively co-invest alongside various managers



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## 31 JULY 2007 YEAR END COMMENTARY

### Investment Philosophy - The Art of the Long View

The Gowings motto is "investing together for a secure future".

As a long term investor, achieving secure long term returns is paramount for the company.

The Gowing family started the company in 1868 and continues to use the company as its principal wealth creation and preservation vehicle.

The company, under 4 generations of the Gowing family, has prospered through 139 years of economic booms and busts, world wars and market crashes. The company's origins were in retailing which soon led to significant property investments being made across Sydney's CBD. At one stage, the Gowings Market Street building completed in 1929 was the tallest building in the city. Gowings has also had an early interest in equity investments being one of the founding investors in Woolworths. In the 1950's, a significant re-allocation of capital was made into listed equities. Since then, listed equities have become the primary generator of wealth for our shareholders and currently represent 80% of our investment portfolio.

Investments continue to be made across different asset classes to take advantage of changing cycles and valuations. The decision to sell the Market Street building last year proved very timely given a large portion of the proceeds has gone on to earn another 24% during the current year.

Through our network of existing and new relationships, we seek to make investments on a direct or wholesale basis where fundamentals are compelling. These relationships allow us to obtain access to select opportunities not available to the wider investment community or retail investors such as private equity, institutional placements and co-investments alongside private equity funds.

### Outlook and Market Update

Following our year end, the Australian market along with all western and most Asian markets, experienced significant uncertainty after credit markets in America froze as difficulties emerged in the sub-prime home mortgage market.

The speed and severity of the resulting sell-off of marketable securities was unexpected by us and many other market participants. Precipitous falls in several of our strongest companies seemed to us unwarranted. The sell-off occurred during what was to become one of the strongest reporting seasons ever with exceptional results being delivered by BHP, Woolworths and Blackmores, to name a few.

Gowings believes the current investment outlook remains strong as characterised by the highest rate of global economic growth experienced in a century.

The current correction provided us with an impetus to strengthen the portfolio by selling several stocks we considered to be fully priced stocks. Our portfolio's cash weighting post year end has increased to \$27 million from \$12 million at 31 July 2007. Gowings also has a \$10m finance facility in place, which in addition to our current cash holdings, places the company in a strong position to buy quality companies on any further market weakness.