GOWINGS

Investing together for a secure future

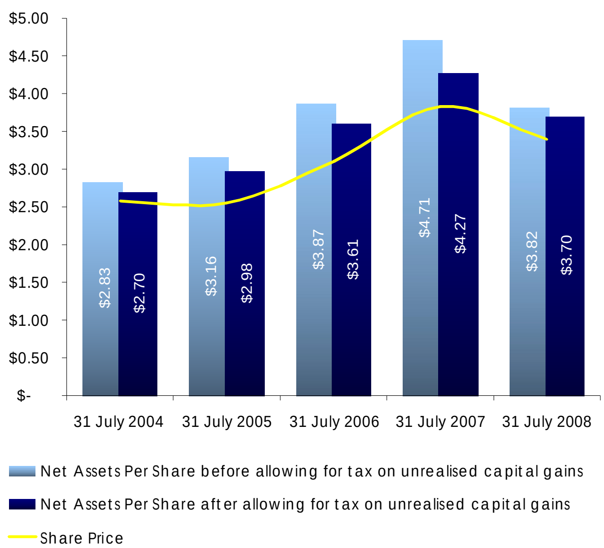
Newsletter

For the Year ending 31 July 2008

A difficult year following 4 strong years

Gowings' net assets per share declined by 14.6% to $3.82 for the year ending 31 July 2008 after allowing for 20c in dividends paid (refer shareholder return table adjacent).

The decline in asset value reflects the overall fall in listed global equity markets and a number of one-off revaluations to specific investments.



Whilst the result was very disappointing for us, especially following the strong returns made over the past 4 years, it is a reflection of the current investment environment which has been described by some commentators as being the most challenging since the Great Depression.

Our listed equity portfolio posted positive returns in the resource, energy, agribusiness and internet sectors with financials, industrial and consumer discretionary stocks posting losses. Our best investment decisions during the year were actually the investments we didn't make and the holdings we sold.

Our managed private equity investments posted a net positive return even after managers made significant devaluations at year end to reflect the lower valuation multiples being paid in the market for unlisted companies.

Our property investments posted mixed returns but currently represent just 1% of the portfolio.

Our cash holdings have increased significantly during the year to 31% of the portfolio reflecting our desire to protect capital and our ongoing cautious outlook.

Shareholder Returns

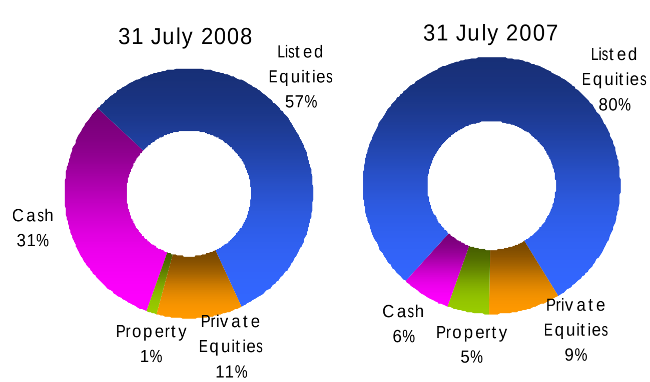
For the period ending	31 July 2008	31 July 2007	31 July 2006
	Per Share	Per Share	Per Share
Opening net assets *	$4.71	$3.87	$3.16
Closing net assets *	$3.82	$4.71	$3.87
(Decrease) / increase	($0.89)	$0.84	$0.71
+ Ordinary dividends paid	$0.10	$0.10	$0.07
+ Special dividends paid	$0.10	-	$0.03
Total return	($0.69)	$0.94	$0.81
Total return %	(14.6%)	24.3%	25.6%
ASX Accumulation Index	(15.6%)	25.3%	18.7%

** Before allowing for tax on unrealised gains*

5c Final Dividend Declared

A 5c final dividend has been declared (2007: 5c) with the record date being 10 October 2008 to be paid on 24 October 2008. The dividend will be a fully franked "LIC" dividend carrying the associated taxation advantages as advised on your dividend statement.

Portfolio Mix



Recurring Earnings Increased 26%

Income Statement	2008	2007	%
	$000	$000	
Interest income	3,497	2,599	35%
Listed equities income	4,608	4,655	-1%
Private equities income	479	185	159%
Investment property income	571	386	48%
Operating expenses	(2,354)	(2,249)	5%
Interest expense	(990)	(973)	2%
Recurring earnings	5,811	4,603	26%
Non-recurring earnings			
Listed equities	13,154	5,829	126%
Private equities	491	6,548	-93%
Investment properties	1,479	2,787	-47%
Development properties	(2,176)	167	-1,403%
Other	4	165	-98%
Net profit before tax	18,763	20,099	-7%
Income tax (expense)	(3,061)	(4,763)	-36%
Net profit after tax	15,702	15,336	2%

Commentary

Recurring earnings rose by 26% during the year as a result of higher levels of interest received on our cash holdings.

The growth in recurring income reflects the company's focus on increasing the income component of its total return rather than trying to generate capital gains in the current uncertain environment.

Large gains of $13.1m on the sale of our listed equities portfolio were realised due to re-weighting our portfolio towards cash.

Private equity posted a net positive return of $0.5m which was pleasing as several of our managers conservatively took large writedowns to their portfolio valuations at year end.

Investment properties posted a net positive return of $1.5m reflecting gains on the sale of Leichardt and Dundee offset by a writedown of the Bowral retail center.

Development properties posted a net loss due to the writedown of a residential development in Newcastle following the continued deterioration of the NSW residential property market.

Portfolio Commentary

1. Cash 31% ($51m)

Gowings' cash position increased significantly to 31% of our portfolio from 6% in the prior year.

Our large cash position keeps us well placed to weather further market uncertainty and to take advantage of opportunities as they arise.

2. Property Investments 1% ($2m net of debt)

Direct property investments have become a small portion of our portfolio in line with the current asset cycle. Whilst property investment opportunities are becoming better priced, it is our belief that the market has further to fall in the current high interest rate and uncertain economic environment.

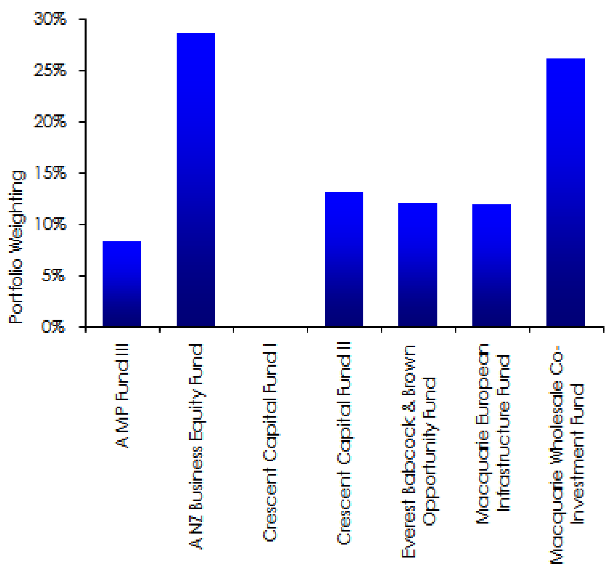
Property delivered mixed results during the year as follows:

- Sale of the "Kemp Street" residential property subdivision to our joint venture partner for $575k after having been acquired for $450k in August 2007.
- Pre-sales of 60% of stage 1 achieved for the Yarrawonga Industrial Estate in Darwin with construction continuing to progress on time and budget.
- Sale of the Dundee recreational tourist park to Aspen Group Limited for $5 million. Dundee was acquired for $3.75 million and sold a year later after a DA for a park upgrade was successfully obtained.
- Sale of the Leichardt retail complex in which we held a 50% interest to GPT Group Limited for $14.4 million equating to a sub 6% yield.
- Writedown of the Bowral regional retail complex in line with a fall in property price valuations. Property valuations have fallen significantly during the year following further interest rate increases and the repricing of risk. Bowral is now fully leased and returning an attractive 9% yield per annum.

Portfolio Commentary (cont'd)

3. Managed Private Equity 11% ($18m)

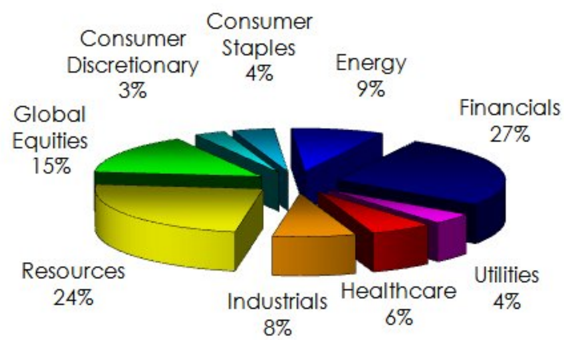
As at reporting date, there was approximately $18 million invested across 5 different managers as follows:



Managed private equity posted a net positive return during the year with the following mixed highlights from our managers:

- AMP Capital sold a drug distribution business and returned 2.8x our money (proceeds of $527k).
- AMP Capital floated the mining services business Runge and returned 2.2x our money (proceeds of $253k).
- AMP Capital sold the water business Total Eden to Alesco and returned 6x our money (proceeds of $1.1 million).
- Crescent Capital sold the plastics business Dotmar and returned 2.7x our money (proceeds of $900k).
- Crescent also distributed $200,000 in performance fees received from our earn-out agreement with the manager.
- Sale of our interests in Crescent Capital Fund I.
- Several of our managers conservatively wrote down their portfolio valuations at year end in line with the re-pricing of risk.

4. Listed Equities 57% ($91m)



Financial crises in global markets and the re-pricing of risk saw extreme volatility throughout global stock markets.

Our portfolio was not immune with several stocks suffering heavy share price falls. It is quite amazing to see some banks' share prices fall to levels not seen since before the current bull market began. That is, the entire gains of the past 5 years were wiped out during the current year.

In line with our focus on protecting capital, the company steadily sold down equities throughout the year which assisted to minimise losses and avoid several meltdowns.

Our best and worst performing stocks during the year were as follows;

Top 10 Best	Return	Top 10 Worst	Return
RIO Tinto	36%	Flexigroup	-31%
Woodside Petroleum	28%	Hills Industries	-35%
Vale (USA)	25%	Aspen Group	-40%
SAP (EUR)	15%	Alesco	-44%
BHP Billiton	9%	Hexima	-44%
Apple (USA)	9%	Babcock & Brown	-48%
Deere & Co (USA)	6%	GLG Corp	-53%
Bunge (USA)	4%	BNB Power	-54%
Leighton Holdings	3%	Noni B	-55%
AA & Co	-5%	QRX Pharma	-67%

Outlook

The current global investment environment remains extremely uncertain across all asset classes.

Whilst the world's central banks and governments continue their fight to restore order and confidence in global financial markets, there remains significant uncertainty in other areas, such as derivatives, which are yet to be fully addressed.

Both developed and developing economies are seeing a real-world slowdown as confidence levels plunge, unemployment increases and personal wealth falls. Even the Chinese engine room of global growth has slowed and is starting to face its own issues with falling property prices and reduced exports.

The current events have been described as unprecedented and indeed many have made comparison to circumstances surrounding the Great Depression. Whilst we do not believe that the current events will result in a depression, economic activity and growth will certainly slow over the coming years.

Australia remains well placed to weather the storm with its low unemployment rate and the ongoing strength in demand for our resources and energy. Our housing market correction is more advanced than other developing countries having started 4 years ago. Our corporate balance sheets are stronger and our portfolio companies should continue to pay solid dividends.

We remain cautious in our outlook and maintain an ongoing focus on capital preservation and increasing recurring income.

About Gowings

INVESTMENT OBJECTIVE

To maximise and protect shareholder wealth over the long term.

OUR VALUES

- Patience
- Discipline
- Understanding
- Conviction
- Decisiveness
- Integrity

INVESTMENT PHILOSOPHY

Investments are made across different asset classes to take advantage of changing cycles. This greatly assists to outperform the equity market during periods of cyclic downturn or volatility.

Investments are made in assets which have the potential to deliver superior growth over the long term when that growth is not reflected in today's asset prices. Investments are made on a risk return basis with higher returns required for more risky assets.

In identifying high calibre investments, we draw on the experience and expertise of our board and management and their wider network. We seek to take advantage of our ability to invest in wholesale offerings not generally available to retail investors.

As a long term investor, we rarely sell stocks unless their outlook changes or they become significantly overvalued. This assists us to maximise returns through the power of compound interest, minimising tax and transaction costs.

At Gowings, all the board of directors and management are shareholders giving rise to our commitment to "investing together for a secure future"

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Newsletter

For the Year ending 31 July 2008

Gowings "At A Glance"

	31 July 2008	31 July 2007
	$	$
1. CASH		
Cash and term deposits	51,839,000	12,154,000
Total Cash	**51,839,000**	**12,154,000**
2. EQUITIES		
Australian Equity Portfolio		
BHP Billiton*	15,884,000	17,366,000
Woodside Petroleum*	8,070,000	5,627,000
Rio Tinto Limited*	6,270,000	6,702,000
Westpac Banking Corporation*	4,310,000	10,202,000
Blackmores Ltd	3,712,000	4,666,000
Woolworths*	3,276,000	4,912,000
Alesco Corp	2,616,000	5,130,000
National Australia Bank	2,470,000	3,836,000
Carlton Investments Ltd	2,695,000	4,355,000
Australian Stock Exchange*	2,647,000	5,469,000
Harvey Norman	1,852,000	2,381,000
Seek	1,800,000	-
BNB Power	1,649,000	-
BNB Wind	1,558,000	-
News Corporation	1,466,000	1,788,000
Aspen Group	1,369,000	2,839,000
St George Bank*	1,385,000	3,968,000
Hexima	1,308,000	-
India Equities Fund*	975,000	1,900,000
AMP China Fund*	765,000	2,192,000
Other holdings*	11,516,000	73,306,000
Total Australian Equities	**77,593,000**	**156,639,000**
International Equity Portfolio	$AUD	$AUD
Bunge	4,194,000	-
Deere & Co	1,012,000	481,000
Apple Inc	1,095,000	263,000
Companhia Vale Do Rio Doce	987,000	-
Industria De Diseno Textil	821,000	-
Cisco Systems	769,000	-
Archer Daniels	759,000	494,000
Textron	691,000	496,000
Veolia Environment SA	648,000	-
SAP	585,000	-
Siemens	521,000	-
Nokia	408,000	-
Ebay	400,000	-
Delegats Group	359,000	-
TomTom	-	1,536,000
Dairy Equities	-	333,000
Total Global Equities	**13,249,000**	**3,603,000**
Total Equity Portfolio	**90,842,000**	**160,242,000**
Total Cash & Equities	**142,681,000**	**172,396,000**

* Denotes full or partial sale of holding during the period.

	31 July 2008	31 July 2007
3. MANAGED PRIVATE EQUITIES		
Macquarie Whole Sale Co-Investment Fund	4,564,000	4,251,000
AMP PEFIIIA	1,442,000	3,144,000
ANZ Business Equity Fund	5,000,000	2,500,000
Crescent Capital Partners II LP	2,282,000	2,096,000
Crescent Capital Partners Growth Fund*	-	1,783,000
Everest Babcock & Brown Opportunity Fund	2,091,000	1,000,000
MEIF	3,054,000	2,590,000
MEIF loan	(992,000)	(965,000)
Other Investments	604,000	1,529,000
Total	**18,045,000**	**17,928,000**
4. PROPERTY PORTFOLIO		
Retail*	5,045,000	16,206,000
Commercial	4,184,000	4,259,000
Industrial	1,425,000	968,000
Residential	2,644,000	2,373,000
Property Development	2,156,000	872,000
Borrowings	(13,405,000)	(13,900,000)
Total	**2,049,000**	**10,778,000**
5. OTHER		
Working capital, loans receivable, provisions	**(347,000)**	**(14,000)**
Net assets before tax on unrealised gains	**162,428,000**	**201,088,000**
Estimated provision for tax on unrealised gains	(5,212,000)	(18,812,000)
Net assets after tax on unrealised gains	**157,216,000**	**182,276,000**
Shares Outstanding	42,536,593	42,686,065
Net Assets per share before estimated tax on unrealised gains	**$ 3.82**	**$ 4.71**
Net Assets per share after allowing for estimated tax on unrealised gains	**$ 3.70**	**$ 4.27**

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