GOWINGS
Est. 1868

ACN 000 010 471

# 143rd ANNUAL REPORT

## 31 July 2011

INVESTING TOGETHER FOR A SECURE FUTURE

# CORPORATE DIRECTORY

**DIRECTORS**

W. A. Salier (Chairman)
J. E. Gowing (Managing director)
J. G. Parker (Non-executive director)

**SECRETARIES**

G.J. Grundy
J. S. Byers

**STOCK EXCHANGE LISTING**

The Australian Stock Exchange
Ticker Code: GOW

**REGISTERED OFFICE**

Suite 21, Jones Bay Wharf
26 - 32 Pirrama Road
Pyrmont NSW 2009
Phone: 61 2 9264 6321
Fax: 61 2 9264 6240
Email: info@gowings.com

**SHARE REGISTRY OFFICE**

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Phone: 1300 855 080
Fax: 61 2 8234 5050

**AUDITORS**

HLB Mann Judd (NSW Partnership)
Level 19, 207 Kent Street
Sydney NSW 2000
Phone: 61 2 9020 4000

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### 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. Having a diversified basket of assets also assists to produce smoother returns from year to year.

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.

As a long term investor, we seek to maximise our returns over time through the power of compound interest and minimising costs.

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

### TRANSPARENT COMMUNICATION

As an investor itself, Gowings values transparent information. An audit review is conducted half yearly and formal audited financial statements are provided annually along with regular informal company updates.

All shareholder communication may be found at the company's website www.gowings.com or on the Australian Securities Exchange's website www.asx.com.au.

### INVESTING IN GOWINGS

Gowings shares can be bought or sold through the Australian Securities Exchange under the ticker code GOW.

Gowings is internally managed and does not pay performance fees to an external manager in relation to the administration of the company. There are no entry or exit fees and no trailing commissions for investors in Gowings.

### HISTORY

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 143 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 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, the company's investment portfolio mix has shifted between listed equities, property and private equity investments accordingly to the outlook for each asset cycle.

# MANAGING DIRECTOR'S REVIEW OF OPERATIONS

On behalf of your board of directors and management, I am pleased to comment on the results for the year ended 31 July 2011.

Net assets per share were $3.11 as at 31 July 2011 before allowing for tax on unrealised capital gains. If the company were to sell its entire long term investment portfolio, its net assets per share after tax paid would be $3.07 per share.

Gowings net assets per share increased by 12.5c during the year less the 10.5c in fully franked dividends paid to shareholders. The 12.5c increase reflects a 4% total shareholder return achieved during a difficult year.

The decision 2 years ago to shift the portfolio towards income producing assets continues to pay our dividends during this ongoing period of volatility and uncertainty.

Recurring revenue (dividends, rent, interest received) **increased 49% during the year** to $16.5 million (2010: $11.1 million) following a full 12 month contribution from the newly acquired shopping centres. Net recurring income before tax **increased 53% to $7.8 million** (2010: $5.1 million).

The board of directors have declared **a 5.5c fully franked final dividend** per share bringing total 2011 dividends to 11c (2010: 10c) representing a 10% increase on the prior year. The final dividend of 5.5c is payable on 21 October 2011 with a record date of 7 October 2011.

## Outlook

Whilst we are not immune to the ongoing uncertainty in global economies and markets, we are well positioned with a mix of long term investments across different asset classes.

Our long term **listed equity investments** (19%) have been selected on the basis that they possess several key attributes that will see them grow over the long term including, dominant industry position, competitive advantage, strong management, sound balance sheet and dividend payment history.

Our **property portfolio** (56%) comprised primarily of the 3 shopping centres remains in very good health. We have actively managed each centre over the past 12 months and have been successful in increasing recurring revenue and net operating income, and in maintaining occupancy levels across all centres.

We have also launched upgrade programs at all 3 centres to assist in strengthening both rents and occupancies. Port Central has just commenced a $1 million upgrade to its façade and food court. Kempsey Central is halfway through a $2 million upgrade including new lift, travelator, toilets and façade works. Moonee Beach is about to commence a $0.3 million upgrade to its food court, signage and weather proofing.

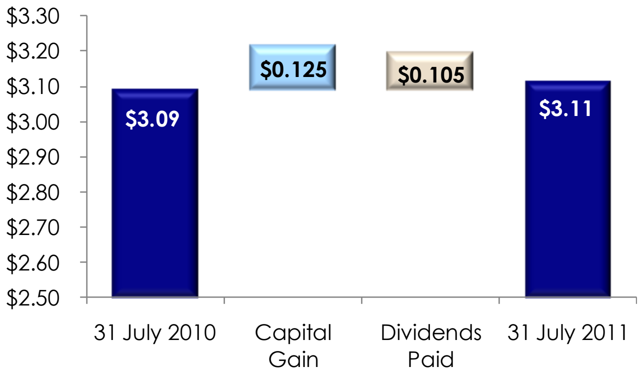
The **private equity portfolio** (8%) includes both managed and direct private equity investments which have the potential to provide significant capital gains over the long term. Managed private equity investments are relatively mature investments with managers working towards exits dependant on the market conditions. Recent direct private equity investments are in the initial stages of investment and would typically have another 5 years before an exit would be considered.

We retain a healthy level of **cash reserves** (17%) in order to take advantage of opportunities as they present themselves. As per the past 2 years, we have maintained a disciplined approach to making new investments with a number of opportunities having been rejected over the past 12 months.

We again remain comfortable with our current investment portfolio which is well positioned to deliver shareholders with a solid mix of income and capital growth in the years ahead.

John Gowing
Managing Director
27 October 2011

## MOVEMENT IN NET ASSETS PER SHARE




## SHAREHOLDER RETURNS

| | **Before tax on unrealised gains** | **After tax on unrealised gains** |
|---|---|---|
| Net assets per share 31 July 2010 | $3.09 | $3.04 |
| **Net assets per share 31 July 2011** | **$3.11** | **$3.07** |
| Increase in net assets | $0.020 | $0.030 |
| + Ordinary fully franked dividends | $0.105 | $0.105 |
| **Total Return*** | **$0.125** | **$0.135** |
| **Total Return %** | **4.0%** | **4.4%** |
| **S&P ASX Accumulation Index** | **2.7%** | **2.7%** |

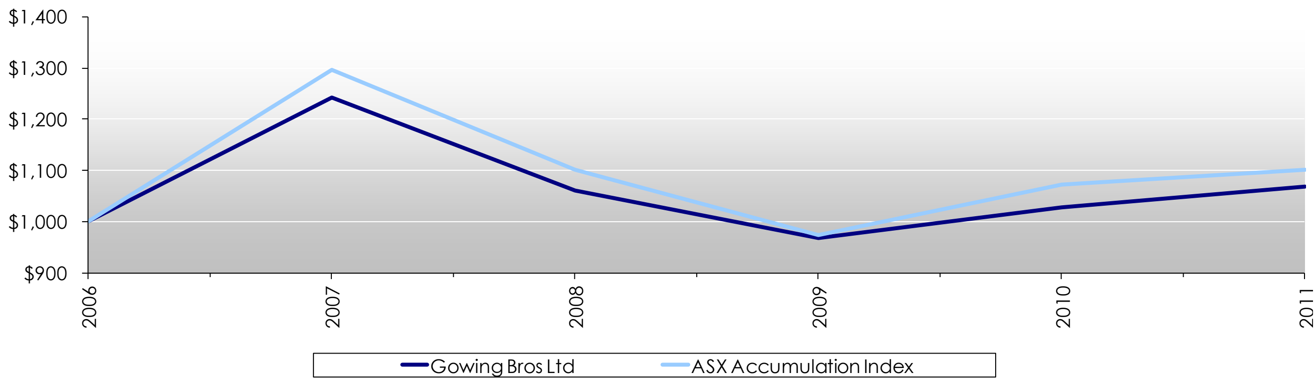
* Fully franked LIC capital gains dividend

## DIVIDENDS

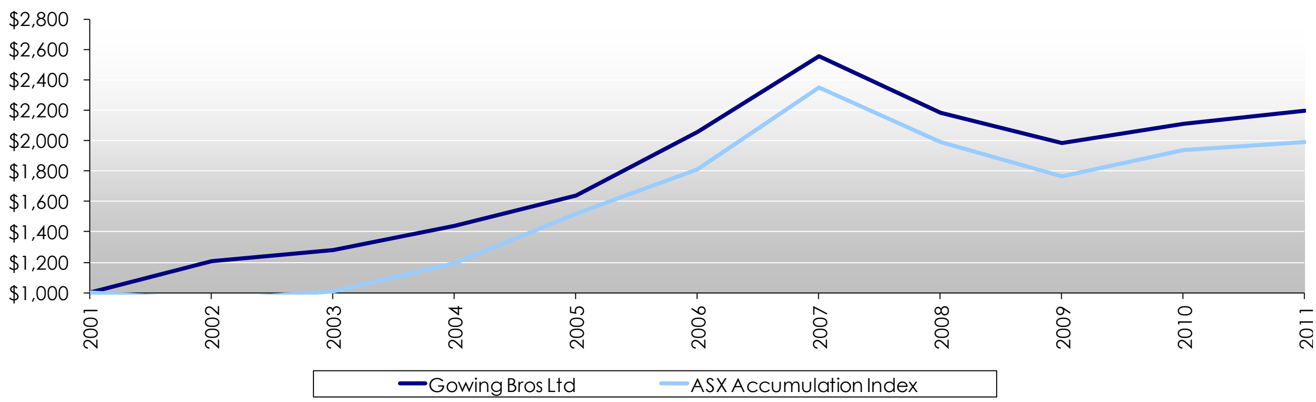
| | **2011** CENTS PER SHARE | 2010 CENTS PER SHARE | PAYMENT DATE | FRANKING |
|---|---|---|---|---|
| Final dividend declared (record date 7/10/11) | 5.5c | | 21/10/11 | 100% |
| Interim dividend paid | 5.5c | | 21/04/11 | 100% |
| Final dividend paid | | 5.0c | 22/10/10 | 100% |
| Interim dividend paid | | 5.0c | 23/04/10 | 100% |
| **Total** | **11.c** | **10c** | | |

## SHAREHOLDER RETURNS

**5 Year Comparative Growth of $1,000 Invested**



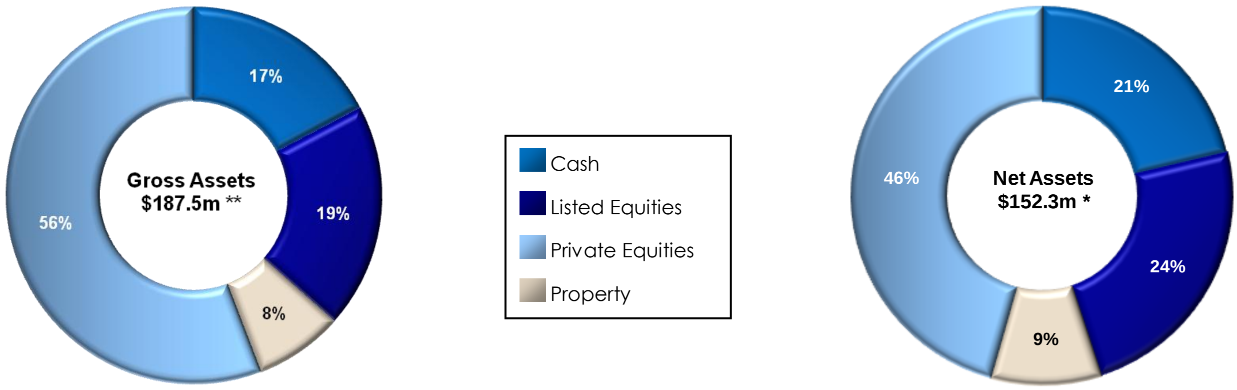

**10 Year Comparative Growth of $1,000 Invested**




| | **31July 2011** | 31 July 2010 | 31 July 2009 | 31 July 2008 | 31 July 2007 |
|---|---|---|---|---|---|
| Per Share | (12 months) | (12 months) | (12 months) | (12 months) | (12 months) |
| Opening net assets [1] | **$3.09** | $3.05[2] | $3.82 | $4.71 | $3.87 |
| **Closing net assets** | **$3.11** | **$3.09** | **$3.23** | **$3.82** | **$4.71** |
| (Decrease) / increase | **$0.020** | $0.04 | ($0.59) | ($0.89) | $0.84 |
| + Ordinary dividends paid | **$0.105** | $0.10 | $0.10 | $0.10 | $0.10 |
| + Special dividends paid | **-** | $0.05 | $0.15 | $0.10 | - |
| Total return | **$0.125** | $0.19 | ($0.34) | ($0.69) | $0.94 |
| **Total return %** | **4.0%** | **6.2%** | **(8.9%)** | **(14.6%)** | **24.3%** |
| S&P ASX 200 Accum. Index | **2.7%** | 10.1% | (10.2%) | (15.6%) | 25.3% |

[1] *Before allowing for tax on unrealised capital gains* [2] *Adjusted for the impact of the rights issue and underwritten DRP*

## "GOWINGS AT A GLANCE"




** Gross assets equal net assets before provision for tax on unrealised gains and borrowings for property investments

* Net assets before provision for tax on unrealised gains

| | 31 July 2011 $ | 31 July 2010 $ |
|---|---|---|
| **1. CASH & OTHER** | | |
| Cash and term deposits | 27,736,000 | 30,882,000 |
| Working capital *** | 4,594,000 | 4,194,000 |
| **Total Cash & Other** | **32,330,000** | **35,076,000** |
| **2. EQUITIES** | | |
| ANZ Banking Group | 7,436,000 | 5,417,000 |
| Blackmores Ltd | 5,852,000 | 4,709,000 |
| National Australia Bank | 4,680,000 | - |
| QBE Insurance Group | 4,067,000 | 4,142,000 |
| Woolworths Ltd | 3,554,000 | 3,868,000 |
| Westpac Banking Corp | 3,063,000 | 3,598,000 |
| Carlton Investments | 2,827,000 | 2,959,000 |
| Woodside Petroleum | 1,266,000 | - |
| Wotif.com Holdings | 966,000 | 569,000 |
| Seek Ltd | 496,000 | - |
| Other holdings | 1,988,000 | 12,087,000 |
| **Total Equities** | **36,195,000** | **37,349,000** |
| **3. PRIVATE EQUITIES** | | |
| Macquarie Whole Sale Co-Investment | 2,740,000 | 4,808,000 |
| ANZ Business Equity Fund | 2,100,000 | 3,415,000 |
| TSL Group | 2,000,000 | - |
| Boundary Bend | 2,000,000 | 2,000,000 |
| Macquarie European Infrastructure | 2,056,000 | 2,185,000 |
| Crescent Capital Partnership Ltd | 917,000 | 2,338,000 |
| Hexima Limited | 875,000 | - |
| Other Investments | 1,598,000 | 1,386,000 |
| **Total Private Equities** | **14,286,000** | **16,132,000** |

*** Working capital consists of all other assets not defined separately above, all liabilities excluding borrowings of $35,125,000 which is included in section 4, and before provision for tax on unrealised gains.

| | 31 July 2011 $ | 31 July 2010 $ |
|---|---|---|
| **4. PROPERTY** | | |
| Retail | 95,684,000 | 92,658,000 |
| Commercial | 4,087,000 | 3,808,000 |
| Industrial | 1,500,000 | 1,560,000 |
| Residential | 982,000 | 804,000 |
| Property Development | 2,354,000 | 1,978,000 |
| Borrowings | (35,125,000) | (35,325,000) |
| **Total Property** | **69,482,000** | **65,483,000** |
| **Net assets before tax on unrealised gains** | **152,293,000** | **154,040,000** |
| Provision for tax on unrealised gains | (1,989,000) | (2,318,000) |
| **Net assets after tax on unrealised gains** | **150,304,000** | **151,722,000** |
| | No. | No. |
| Number of Shares Outstanding | 49,003,325 | 49,892,213 |
| **Net Assets per share before estimated tax on unrealised gains** | **$ 3.11** | **$ 3.09** |
| **Net Assets per share after allowing for estimated tax on unrealised gains** | **$ 3.07** | **$ 3.04** |

# THE BOARD OF DIRECTORS AND MANAGEMENT

The directors are all shareholders in the company, which ensures that their interests are aligned with those of other shareholders.

## DIRECTORS

### Tony Salier

Chairman / Non-executive Director
B.A, LL.B (Syd), LL.M (Harvard)
Shareholding: 54,794 shares

Tony Salier has been a director of Gowings since 1974 and chairman since 1995. Tony has witnessed and participated in the growth of the company under the direction of Ted Gowing and John Gowing over the past 40 years.

Tony is a senior lawyer with Pigott Stinson, a long established Sydney law firm. Tony has practised corporate law in Sydney for 44 years and has advised 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 foundations, estates and private companies with a combined investment portfolio exceeding $100 million.

### John Gowing

Managing Director
Bachelor of Commerce, CA, CPA
Shareholding: 18,982,868 shares

John is only the fourth managing director of Gowings in 143 years. John's business and investment skills were developed at 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 a member of the Institute of Chartered Accountants in Australia and a Certified Practising Accountant.

### John Parker

Non-executive Director
Bachelor of Economics
Shareholding: 50,000 shares

John has served as a non-executive director of Gowings since January 2002. John is a coach with Foresight's Global Coaching Partnership, providing one-to-one business coaching to senior executives in Australia.

John brings considerable experience to the board with over 30 years in equities research and funds management in Sydney, London and South Africa.

## EXECUTIVE MANAGEMENT

### Garth Grundy

Chief Operational Officer / Company Secretary
Bachelor of Commerce, CA, F Fin
Shareholding: 117,724 shares

Garth has 19 years of investment and corporate finance experience gained from his past employment with Ernst & Young, Arthur Andersen, Coyne Capital and Hindal Corporate.

Garth is a Fellow of the Financial Services Institute of Australia and a member of the Institute of Chartered Accountants in Australia.

### Stephen Byers

Executive Officer Property / Company Secretary
Bachelor of Commerce, LL.B
Shareholding: 50,000 shares

Stephen has been an integral part of the Gowings executive management team in various roles over the past thirteen years at both a strategic and operational level. Stephen has been instrumental in developing the company's property development activities. Stephen also provides in-house legal counsel for the company and has previously practised in commercial and property law.

Your directors present their report on the company for the year ended 31 July 2011.

**Results**

| | 2011 | 2010 |
|---|---|---|
| | $'000 | $'000 |
| Operating profit for the year before income tax | 7,873 | 7,951 |
| Income tax (expense)/benefit | (1,332) | (1,376) |
| Net profit after income tax | 6,541 | 6,575 |
| Net profit attributable to members of Gowing Bros. Ltd | 6,541 | 6,575 |

**Dividends**

| | |
|---|---|
| A final fully franked dividend of 5.5 cents per share was paid to shareholders on 21 October 2011. | $2,695,185 |
| An interim fully franked dividend of 5.5 cents per share was paid to shareholders on 21 April 2011. | $2,695,183 |
| A final fully franked dividend of 5 cents per share was paid to shareholders on 22 October 2010. | $2,494,611 |
| An interim fully franked dividend of 5 cents per share was paid to shareholders on 23 April 2010. | $2,494,611 |

**Review of operations**
The operations of the company 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 when the company can either directly or indirectly influence decisions which impact upon the environment, this 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, investment properties, managed private equity, property development projects and cash.

**Significant changes in the state of affairs**
There were no significant changes in the state of affairs of the company this financial year.

**Matters subsequent to the end of the financial year**
No matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

**Likely developments and expected results of operations**
Further information on likely developments in the operations of the company are included in the Managing Director's review of operations on pages 2 to 5.

**Directors' interests**
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**<br>Non-executive<br>Bachelor of Arts, LL.B., LL.M. (Harvard)<br>Director since 1974<br>Member of the audit committee<br>Mr Salier is a solicitor with 44 years experience<br>No directorships held in other listed companies over the past 3 years | 54,794 | - |
| **J. E. Gowing - managing director**<br>Executive<br>Bachelor of Commerce<br>Member of The Institute of Chartered Accountants in Australia<br>Member of CPA Australia<br>Director since 1983<br>No directorships held in other listed companies over the past 3 years | 18,982,868 | - |
| **J. G. Parker**<br>Non-executive<br>Bachelor of Economics<br>Director since 2002<br>Member of the audit committee<br>Mr Parker is a coach of senior executives, with 30 years as an investment and equities research professional.<br>No directorships held in other listed companies over the past 3 years | 50,000 | - |

**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 | 9 | 9 | 2 | 2 |
| J. E. Gowing | 9 | 9 | - | - |
| J. G. Parker | 9 | 9 | 2 | 2 |

**Remuneration report**
The company's remuneration report, which forms a part of the Directors' Report, is on pages 11 to 14.

**Corporate governance**
A statement describing the company's main corporate governance practices is on pages 15 and 16.

**Auditor's independence declaration**
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 51.

**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.

**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 are important.

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

The board of directors has considered the position in accordance with advice received from the Audit Committee and 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 APES110 Code of Ethics for Professional Accountants, 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.

**Audit fees and services**
During the year the following fees were paid or payable for services provided by the auditor of the company, its related practices and non-related audit firms:

| | 2011<br>$ | 2010<br>$ |
|---|---|---|
| 1. Audit services | | |
| Audit and review of financial reports and other audit work under the *Corporations Act 2001* | 70,075 | 66,000 |
| 2. Taxation services | | |
| Tax compliance services, including review of company income tax returns | 10,950 | 11,360 |
| 3. Advisory services | | |
| General advisory services | - | 2,000 |

**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.

**Environmental regulation**
No significant environmental regulations apply to the company.

This report is made in accordance with a resolution of the directors of Gowing Bros. Limited.

W. A. SALIER
Director

J. E. GOWING
Director

Sydney
27 October 2011

The remuneration report is set out under the following main headings:

Principles used to determine the nature and amount of remuneration
Details of remuneration
Service agreements
Share-based compensation
Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

**Principles used to determine the nature and amount of 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 executives fairly and appropriately with reference to relevant employment market conditions and the nature of company operations.

The Board has chosen not to establish a remuneration committee given the nature of the company. The company has two non-executive directors, one executive director and three other executives. The full board acts as a remuneration committee as and when appropriate.

**Non-executive directors**
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.

Persons who were non-executive directors of the company for all of the financial year ended 31 July 2011 were:

- W.A. Salier, chairman
- J.G. Parker.

Directors' fees
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. 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.

**Executive**
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 2011 were:

- J.E. Gowing, Managing Director
- G.J. Grundy, Chief Operational Officer / Company Secretary
- J.S. Byers, Executive Officer Property / Company Secretary
- M.D. de Lepervanche, Financial Controller

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 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 recommendations 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 given to quantum of an executive's total remuneration.

**Details of remuneration**

Details of the remuneration of the directors and the key management personnel are set out in the following tables:

| 2011 | SHORT TERM EMPLOYEE BENEFITS | | | SHARE BASED COMPENSATION | POST-EMPLOYMENT BENEFITS | LONG TERM BENEFITS | TOTAL |
|---|---|---|---|---|---|---|---|
| Name | Cash salary and fees $ | Cash bonus $ | Non-monetary benefits $ | $ | Super-annuation $ | Long service leave $ | $ |
| **Non-executive directors** | | | | | | | |
| W.A. Salier (Chairman) | 60,000 | - | - | - | - | - | 60,000 |
| J. G. Parker | - | - | - | - | 40,000 | - | 40,000 |
| Non-executive directors | 60,000 | - | - | - | 40,000 | - | 100,000 |
| **Executive directors** | | | | | | | |
| J.E. Gowing | 227,645 | 110,000 | 53,825 | - | 42,202 | 3,667 | 437,339 |
| **Other key management personnel** | | | | | | | |
| G.J. Grundy | 244,778 | - | - | 125,000 | 18,165 | 22,838 | 410,781 |
| J.S Byers | 178,472 | 35,000 | 31,506 | - | 77,093 | 3,500 | 325,571 |
| M. D. de Lepervanche | 141,839 | - | - | 50,000 | 12,766 | - | 204,605 |
| **Total key management personnel compensation** | 852,734 | 145,000 | 85,331 | 175,000 | 190,226 | 30,005 | 1,478,296 |

| 2010 | SHORT TERM EMPLOYEE BENEFITS | | | SHARE BASED COMPENSATION | POST-EMPLOYMENT BENEFITS | LONG TERM BENEFITS | TOTAL |
|---|---|---|---|---|---|---|---|
| Name | Cash salary and fees $ | Cash bonus $ | Non-monetary benefits $ | $ | Super-annuation $ | Long service leave $ | $ |
| **Non-executive directors** | | | | | | | |
| W.A. Salier (Chairman) | 60,000 | - | - | - | - | - | 60,000 |
| J. G. Parker | - | - | - | - | 40,000 | - | 40,000 |
| Non-executive directors | 60,000 | - | - | - | 40,000 | - | 100,000 |
| **Executive directors** | | | | | | | |
| J.E. Gowing | 153,302 | - | 56,363 | - | 15,853 | 3,748 | 229,266 |
| **Other key management personnel** | | | | | | | |
| G.J. Grundy | 214,163 | 50,121 | - | - | 19,329 | - | 283,613 |
| J.S Byers | 189,550 | 20,000 | 41,136 | - | 12,551 | 8,106 | 271,343 |
| M. D. de Lepervanche | 120,756 | 50,000 | - | - | 10,011 | - | 180,767 |
| **Total key management personnel compensation** | 737,771 | 120,121 | 97,499 | - | 97,744 | 11,854 | 1,064,989 |

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

| NAME | FIXED REMUNERATION | | AT RISK | |
|---|---|---|---|---|
| | 2011 % | 2010 % | 2011 % | 2010 % |
| **Executive directors** | | | | |
| J.E. Gowing | 63 | 100 | 37 | - |
| **Other key management personnel** | | | | |
| G.J Grundy | 70 | 82 | 30 | 18 |
| J.S. Byers | 71 | 93 | 29 | 7 |
| M. D. de Lepervanche | 76 | 72 | 24 | 28 |

All performance based remuneration is discretionary and determined on current year and long term performance of the company.

**Service agreements**

There are no service agreements in place with W.A. Salier, J.G. Parker, J.E. Gowing and J.S. Byers.

The company has entered into a service agreement with G.J. Grundy and M.D. de Lepervanche.

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 major provisions relating to remuneration are set out below.

J.E. Gowing, *Managing Director*
- Term – indefinite.
- Base salary, inclusive of superannuation, as at 31 July 2011 of $220,000, 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 2011 of $53,825.
- No termination benefit is payable.

G.J. Grundy, Chief Operational Officer / Company Secretary
- Term – indefinite.
- Base salary, inclusive of superannuation, as at 31 July 2011 of $220,000, to be reviewed annually by the Managing Director.
- Other benefits and non-monetary benefits included motor vehicle allowance for the year ended 31 July 2011 of $28,982.
- No termination benefit is payable.

J.S. Byers, *Executive Officer Property / Company Secretary*
- Term – indefinite.
- Base salary, inclusive of superannuation, as at 31 July 2011 of $210,000, 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 2011 of $31,506.
- No termination benefit is payable.

M.D. de Lepervanche, Financial Controller
- Resigned from office on 30 September 2011.
- Base salary, inclusive of superannuation, as at 31 July 2011 was $150,000.
- No termination benefit was payable.

**Share-based compensation**
All employees excluding directors are eligible to participate in the company's deferred employee share plan scheme.

**Additional Information**
Employee Share & Option Scheme
The scheme is not currently operational and no shares or options were issued under this scheme during the year.

Deferred Share Plan Scheme
Under this scheme cash bonuses awarded to employees may be used to purchase shares previously acquired by the company as part of its on market buy back at the price paid by the company.

The company Employee Share & Option Scheme and Deferred Employee Share Plan Scheme may be utilised as a part of the award of any incentive payment for all employees

The board of directors of Gowing Bros. Limited is responsible for the corporate governance of the company. 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 2011 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. Remunerate fairly and responsibly with the exception of the following:

Principle 2.4 A nomination committee has not been established
Principle 8.1 A remuneration committee has not been established

**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 6.

The company currently has two non-executive directors and one executive director being the managing director, Mr John Gowing. Both non-executive directors meet the independence requirement of the ASX corporate governance principles and recommendations.

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:

| Name | Term in office |
|---|---|
| Tony Salier | 37 years |
| John Parker | 10 years |
| John Gowing | 29 years |

**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 company. 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

**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 11 to 14. 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 the company 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.

**1. Shareholders at 30 September 2011**

| Range of shares | No of shareholders |
|---|---|
| 1- 1,000 Shares | 315 |
| 1,001-5,000 Shares | 526 |
| 5,001-10,000 Shares | 226 |
| 10,001-100,000 Shares | 314 |
| Over 100,000 Shares | 33 |
| Total Shareholders | 1,414 |

The number of shareholdings held in less than marketable parcels is 90.

**2. Voting rights**

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

**3. Substantial shareholders at 30 September 2011**

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

| | | |
|---|---|---|
| John Edward Gowing | 18,982,868 | Ordinary Shares |
| Carlton Hotel Limited | 4,273,768 | Ordinary Shares |

**4. Top twenty equity security holders at 30 September 2011**

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 | 6,159,916 | 12.57 |
| 2. | Warwick Pty Ltd | 5,634,799 | 11.50 |
| 3. | John Edward Gowing | 4,421,726 | 9.02 |
| 4. | Carlton Hotel Ltd | 4,273,768 | 8.72 |
| 5. | Woodside Pty Ltd | 2,369,768 | 4.84 |
| 6. | RBC Dexia Investor Services Australia Nominees Pty Ltd | 2,300,569 | 4.69 |
| 7. | Australian United Investment Ltd | 2,000,000 | 4.08 |
| 8. | Diversified United Investment Ltd | 2,000,000 | 4.08 |
| 9. | The Ian Potter Foundation Ltd | 1,626,614 | 3.32 |
| 10. | JP Morgan Nominees Australia | 758,040 | 1.55 |
| 11. | T N Phillips Investments Pty Ltd | 661,534 | 1.35 |
| 12. | Frederick Bruce Wareham | 580,113 | 1.18 |
| 13. | Enbeear Pty Ltd | 578,936 | 1.18 |
| 14. | Poole Williamson | 516,767 | 1.05 |
| 15. | Beta Gamma Pty Ltd | 411,112 | .84 |
| 16. | Cogent Nominees Pty Ltd | 410,466 | .84 |
| 17. | Mythia Pty Ltd | 360,000 | .73 |
| 18. | Mr Graeme Legge | 274,658 | .56 |
| 19. | Cranley Holdings Pty Ltd | 247,315 | .50 |
| 20. | Jonathan West | 224,729 | .46 |
| Total | | 35,810,830 | 73.06 |
| Total Issued Share Capital | | 49,003,325 | |

Number of shares bought back since year end: NIL.

**5. Corporate governance practices**

Gowing Bros. Limited corporate governance practices are described on pages 15 and 16.

# CONTENTS



## 143rd ANNUAL REPORT

The financial statements were authorised for issue by the directors on 27 October 2011. The directors have the power to amend and reissue the financial statements.

# STATEMENT OF COMPREHENSIVE INCOME 31 July 2011

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Interest income | | 1,181 | 1,468 |
| Listed equities | | 2,758 | 2,752 |
| Private equities | | 183 | 520 |
| Investment properties | | 12,377 | 6,325 |
| Other revenue | | - | 2 |
| Total revenue | | 16,499 | 11,067 |
| **Other income** | | | |
| Gains (losses) on disposal or revaluation of: | | | |
| Listed equities | | 473 | 4,922 |
| Private equities | | 819 | 839 |
| Investment properties | | 1,338 | 297 |
| Development properties | | 133 | 100 |
| Other income | | (1,059) | 257 |
| Total other income | | 1,704 | 6,415 |
| Total revenue and other income | | 18,203 | 17,482 |
| **Expenses** | | | |
| Investment property expenses | | 3,825 | 1,939 |
| Administration expenses | | 282 | 256 |
| Borrowing cost expenses | | 2,757 | 2,044 |
| Depreciation expenses | | 96 | 78 |
| Employee benefits expense | | 1,447 | 1,311 |
| Public company expenses | | 301 | 351 |
| Total expenses | | 8,708 | 5,979 |
| Profit from continuing operations before impairment & income tax expense | | 9,495 | 11,503 |
| Unrealised impairment listed equities | | 1,622 | 3,552 |
| Profit before income tax expense | | 7,873 | 7,951 |
| Income tax expense/ (benefit) | 6 | 1,332 | 1,376 |
| Profit from continuing operations | | 6,541 | 6,575 |
| **Other comprehensive income** | | | |
| Net increase (decrease) in fair value of investments net of tax | | (769) | 271 |
| Total comprehensive income attributable to members of Gowing Bros. Ltd | | 5,772 | 6,846 |
| Basic earnings per share | 35 | 13.21c | 13.85c |
| Diluted earnings per share | 35 | 13.21c | 13.85c |

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

# BALANCE SHEET

As at 31 July 2011

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 27,736 | 30,882 |
| Investment properties | 8 | 3,650 | 1,554 |
| Trade and other receivables | 9 | 535 | 155 |
| Other | 10 | 683 | 718 |
| Total current assets | | 32,604 | 33,309 |
| **Non-current assets** | | | |
| Receivables | 11 | 10 | 12 |
| Listed equities | 12 | 36,195 | 37,349 |
| Private equities | 13 | 14,286 | 16,132 |
| Development properties | 14 | 2,354 | 1,978 |
| Investment properties | 15 | 95,717 | 94,359 |
| Property, plant and equipment | 16 | 3,301 | 3,322 |
| Deferred tax assets | 17 | 7,485 | 6,480 |
| Other | 18 | 331 | 331 |
| Total non-current assets | | 159,679 | 159,963 |
| Total assets | | 192,283 | 193,272 |
| **Current liabilities** | | | |
| Trade and other payables | 19 | 1,390 | 1,103 |
| Borrowings | 20 | 2,136 | 10 |
| Current tax liabilities | 21 | 996 | 1,768 |
| Provisions | 22 | 118 | 205 |
| Total current liabilities | | 4,640 | 3,086 |
| **Non-current liabilities** | | | |
| Payables | | 62 | 62 |
| Borrowings | 23 | 33,034 | 35,370 |
| Provisions | 24 | 117 | 244 |
| Deferred tax liabilities | 25 | 4,126 | 2,788 |
| Total non-current liabilities | | 37,339 | 38,464 |
| Total liabilities | | 41,979 | 41,550 |
| Net assets | | 150,304 | 151,722 |
| **Equity** | | | |
| Contributed equity | 26 | 13,294 | 15,294 |
| Reserves | 27 | 95,141 | 95,910 |
| Retained profits | | 41,869 | 40,518 |
| Total equity | | 150,304 | 151,722 |

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

| | Contributed Equity $'000 | Capital Profits Reserve- Pre CGT Profits $'000 | Investment Revaluation Reserve- Listed Equities $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Balance at 1 August 2009** | **(895)** | **90,503** | **5,136** | **40,696** | **135,440** |
| **Total comprehensive income for the year** | - | - | 271 | 6,575 | 6,846 |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity, net of transaction costs | 16,189 | - | - | - | 16,189 |
| Dividends paid | - | - | - | (6,753) | (6,753) |
| | 16,189 | - | - | (6,753) | 9,436 |
| Balance at 31 July 2010 | 15,294 | 90,503 | 5,407 | 40,518 | 151,722 |
| **Total comprehensive income for the year** | - | - | (769) | 6,541 | 5,772 |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Buy-back of shares | (2,000) | - | - | - | (2,000) |
| Dividends paid | - | - | - | (5,190) | (5,190) |
| | (2,000) | - | - | (5,190) | (7,190) |
| Balance at 31 July 2011 | 13,294 | 90,503 | 4,638 | 41,869 | 150,304 |

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

# STATEMENT OF CASH FLOWS

Year ended 31 July 2011

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 13,445 | 6,841 |
| Payments to suppliers and employees (inclusive of GST) | | (4,851) | (3,731) |
| Dividends received | | 2,941 | 3,444 |
| Interest received | | 1,244 | 2,296 |
| Borrowing costs | | (2,695) | (2,069) |
| Income taxes paid | | (1,782) | (3,647) |
| Net cash (outflows) inflows from operating activities | 36 | 8,302 | 3,134 |
| **Cash flows from investing activities** | | | |
| Payments for purchases of properties, plant and equipment | | (75) | (40) |
| Payments for purchases of development properties | | (1,377) | (350) |
| Payments for purchases of investment properties | | (2,135) | (87,886) |
| Payments for financial assets | | (12,467) | (40,167) |
| Proceeds from sale of financial assets | | 10,858 | 115,927 |
| Proceeds from sale of property and other assets | | 1,152 | 3,671 |
| Net cash outflows from investing activities | | (4,044) | (8,845) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | - | 33,014 |
| Proceeds from shares issued | | - | 14,061 |
| Payments for shares bought back | | (2,000) | - |
| Repayment of borrowings | | (214) | (11,828) |
| Dividends paid | | (5,190) | (4,626) |
| Net cash (outflows) from financing activities | | (7,404) | 30,621 |
| Net (decrease) increase in cash held | | (3,146) | 24,910 |
| Cash and cash equivalents at the beginning of the financial year | | 30,882 | 5,972 |
| Cash and cash equivalents at the end of the financial year | 7 | 27,736 | 30,882 |

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

## 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.

**(a) Basis of preparation**
This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

*Compliance with IFRS*
The consolidated financial statements of Gowing Bros. Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*Historical cost convention*
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of listed equities (available-for-sale financial assets), private equities and investment properties.

*Critical accounting estimates*
The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Areas involving a higher degree of judgement and complexity or where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**(b) Segment reporting**
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker including:

- Cash and fixed interest
- Listed equities
- Private equities
- Investment properties
- Development properties
- Other

**(c) Foreign currency translation**
(i) Functional and presentation currency
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("functional currency"). The 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 profit or loss. Translation differences on non-monetary assets and liabilities on private equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on other non-monetary financial assets are reported as part of the fair value gain or loss in equity.

**(d) 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 and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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.

## 1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 assets and liabilities are offset when there is a legally enforceable right to offset 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 company 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 and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(e) 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.

**(f) Property, plant and equipment**
The purchase method of accounting is used for acquisitions of property, plant and equipment (excluding investment properties). Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity. 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 company. 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 is calculated to allocate cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

| | |
|---|---|
| Plant and equipment | 3 to 10 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 greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss.

**(g) Revenue recognition**
Revenue is recognised for the major business activities as follows:

(i) Listed equities
Dividend income is recognised when received. Revenue from the sale of investments is recognised at trade date.

(ii) Property rental
Rental income is recognised in accordance with the underlying rental agreements.

(iii) Land development and sale
Revenue is recognised on settlement.

(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 costs will be recovered, revenue is recognised to the extent of costs incurred. Where it is probable that a 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
Changes in fair value of private equities are recognised through profit or loss. Trust income and option income is recognised when earned.

(vi) Other property revenue
Changes in fair value of properties are recognised through profit or loss. Other property revenue is recognised in accordance with underlying agreements.

(vii) Interest revenue
Interest income is recognised on an accrual basis.

## 1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(h) Receivables**
Receivables comprise mainly amounts due in relation to the sale of company investments with differing terms depending upon the type of asset being sold. Amounts due for the sale of listed equities are usually due three days after sale. Amounts due for the sale of properties are usually due on settlement unless the specific contract provides for extended terms.

**(i) Investments and other financial assets**
Interests in listed equities are brought to account at fair value, with the change in fair value reflected in the long term revaluation reserve.
Interests in private equities are brought to account at fair value, with any change in fair value reflected in profit or loss.
The interest in joint ventures is accounted for as set out in note 33.
The company classifies its investments in the following categories: private equities (financial assets at fair value through profit or loss) and listed equities (available-for-sale financial assets). The classification depends on the purpose for which it was acquired. Management determines the classification on initial recognition.
*(i) Listed equities*
Listed equities, comprising principally marketable equity securities, 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.
*(ii) Private equities*
Private equities are held with the view they are long term investments.

*Recognition/de-recognition and subsequent measurement*
Regular purchases and sales of investments are recognised on trade-date - the date on which the company commits to the purchase or sale of the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through 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 profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.
Investments and other financial assets are subsequently carried at fair value. Gains or losses arising from private equities, including interest and dividend income, are presented in profit or loss within other income or other expenses in the period in which they arise.
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 related to changes in amortised cost 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 listed equities are recognised in equity.
When listed securities are sold the accumulated fair value adjustments recognised in equity are included in the income statement as gains (losses) from listed equities.
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 company 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 company-specific inputs.

*Impairment*
The company 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 as an indicator that the securities are impaired. If any 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 asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

**(j) Investment properties**
Investment property, principally comprising freehold commercial and retail buildings, is held for long-term rental yields and is not occupied by the company. Investment property is carried at fair value determined annually by management. Changes in fair values are recorded in profit or loss as part of other income.

## 1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(k) 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 33.

**(l) Trade and other payables**
These amounts represent liabilities for goods and services provided to the company 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.

**(m) Borrowings**
Bills payable are carried at their principal amounts. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**(n) 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.

**(o) Fair value estimation**
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

**(p) 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.

**(q) 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.
Only borrowings costs relating specifically to the qualifying asset are capitalised.
Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps.

**(r) 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.

**(s) Leases**
Leases of property, plant and equipment where the company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(t) 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.

**(u) 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.

**(v) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 July 2011 reporting periods. These standards and interpretations are not expected to have a material impact on the company other than as set out below.

AASB 9 *Financial Instruments* (effective for reporting periods beginning on or after 1January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the company's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The company is yet to assess its full impact. However, initial indications are that it may affect the company's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

The Company has decided against early adoption of these standards.

**(w) Comparative Information**

Information has been reclassified where applicable to enhance comparability.

## 2. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks; market risk (including foreign exchange risk, price risk and interest rate risk) liquidity risk, credit risk and fair value estimation risk. The company'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 company 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 is documented and formally reviewed on a monthly basis.

**Market risk**

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the company's functional currency. The company does not have a policy with regard to hedging currency risk. The company has not hedged its foreign currency investments. The multiple currencies provide diversification benefits to the portfolio. The company monitors foreign currency movements daily and seeks advice from foreign currency specialists as to potential courses of action that may protect or enhance the value of the company's investments.

The company's exposure to foreign currency risk at the reporting date was as follows:

| | 31 July 2011 | | | | 31 July 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| Currency Exposure in AUD | USD $'000 | EUR $'000 | NZD $'000 | GBP $'000 | USD $'000 | EUR $'000 | NZD $'000 | GBP $'000 |
| Cash | 5,328 | 19 | 1 | 974 | 3,094 | 1,148 | 452 | 1,136 |
| Listed Equities | 317 | 311 | - | - | 346 | 485 | 737 | - |
| Private Equities | - | 2,056 | - | - | - | 2,185 | - | - |

Based on the cash held at 31 July 2011, if the Australian dollar weakened/strengthened by 10% against the US dollar cash would have been $592,020 higher / $484,380 lower (2010: $343,744 higher / $281,245 lower). If the Australian dollar weakened/strengthened by 10% against the EUR cash would have been $2,101 higher / $1,719 lower (2010: $127,588 higher / $104,390 lower). If the Australian dollar weakened/strengthened by 10% against the NZD dollar cash would have been $84 higher / $69 lower (2010: 50,250 higher / $41,114 lower). If the Australian dollar weakened/strengthened by 10% against the GBP cash would have been $108,283 higher / $88,595 lower (2010: $126,211 higher / $103,263 lower).

Based on the equities held at 31 July 2011, if the Australian dollar weakened/strengthen by 10% against the US dollar equities would have been $35,193 higher / $28,794 lower (2010: $38,504 higher / $31,504 lower). If the Australian dollar weakened/strengthened by 10% against the EUR equities would have been $34,604 higher / $28,313 lower (2010: $53,919 higher / $44,116 lower). There were nil holdings of New Zealand equities at year end, (2010: $81,877 higher / $66,990 lower).

Based on the private equities held at 31 July 2011, if the Australian dollar weakened / strengthened by 10% against the EUR private equities would have been $228,492 higher / $186,948 lower (2010: $242,828 higher / $198,677 lower).

(ii) Price risk

The company is exposed to asset price risk. This arises from investments held by the company and classified on the balance sheet either as available-for-sale or at fair value through profit or loss. A price reduction at 5% and 10% spread equally over the investment portfolio would reduce its value by $2,524,025 (2010: $2,674,000) and $5,048,051 (2010: $5,348,000) respectively.

The company seeks to reduce market risk at the investment portfolio level by ensuring that it is not overly exposed to one company or one particular sector of the market. The relative weightings of the individual investments and the relevant market sectors are reviewed regularly and risk can be managed by reducing exposure where necessary. The company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector. The writing and purchasing of options provides some protection against a fall in market prices by both generating income to partially compensate for a fall in capital values and buying put protection to lock in asset prices.

## 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Cash flow and fair value interest rate risk

The company's interest-rate risk arises from long-term borrowings and cash on deposit. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. Borrowings issued at fixed rates expose the company to fair value interest-rate risk. The company's interest bearing assets include deposits on the overnight money market. Interest earnt on these deposits varies according to the Reserve Bank's monetary policy decisions.

As at the reporting date, the company had the following variable rate borrowings and interest rate swap contracts outstanding:

| | 31 July 2011 | | 31 July 2010 | |
|---|---|---|---|---|
| | Weight average interest rate | Balance $'000 | Weight average interest rate | Balance $'000 |
| Borrowings | 6.95% | 35,170 | 6.41% | 35,325 |
| Interest rate swaps (notional principal amount) | 5.86% | (25,000) | 5.86% | (25,000) |
| Net exposure to cash flow interest rate risk | | 10,170 | | 10,325 |

An analysis by maturities is provided below.

**Credit risk**
The company has no material exposure to trade receivables

**Liquidity risk**
This is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. 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. Management monitors its cash flow requirements daily. Furthermore, management monitors the level of contingent payments on a weekly basis by reference to known sales and purchases of securities, dividends and distributions to be paid or received.

Maturities of financial liabilities
The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

| **31 July 2011** | Less than 1 year | Between 1-2 years | Between 2-5 years | Over 5 years | Total contractual cash flow |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Non-derivatives** | | | | | |
| Non-interest bearing | 1,390 | 62 | - | - | 1,452 |
| Variable rate | 2,125 | 33,000 | - | - | 35,125 |
| Fixed rate | 11 | 22 | 12 | - | 45 |
| Total non-derivatives | 3,526 | 33,084 | 12 | - | 36,622 |
| **Derivatives** | | | | | |
| Interest rate swaps (to be settled on a net basis) | - | - | 25,000 | - | 25,000 |

## 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

| 31 July 2010 | Less than 1 year | Between 1-2 years | Between 2-5 years | Over 5 years | Total contractual cash flow |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Non-derivatives** | | | | | |
| Non-interest bearing | 1,103 | 62 | | - | 1,165 |
| Variable rate | - | - | 35,325 | - | 35,325 |
| Fixed rate | 10 | 22 | 23 | - | 55 |
| Total non-derivatives | 1,113 | 84 | 35,348 | - | 36,545 |
| **Derivatives** | | | | | |
| Interest rate swaps (to be settled on a net basis) | - | - | 25,000 | - | 25,000 |

**Fair value estimation risk**
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The following tables present the company's assets measured and recognised at fair value at 31July 2011 and 31 July 2010.

| 31 July 2011 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Financial Assets** | | | | |
| Investments – listed Australian equities | 35,567 | - | - | 35,567 |
| Investments – listed Global equities | 628 | - | - | 628 |
| Investments – private equities | - | - | 14,286 | 14,286 |
| Investments – properties current | - | - | 3,650 | 3,650 |
| Investments – properties non-current | - | - | 98,071 | 98,071 |
| | 36,195 | - | 116,007 | 152,202 |

| 31 July 2010 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Financial Assets** | | | | |
| Investments – listed Australian equities | 35,780 | - | - | 35,780 |
| Investments – listed Global equities | 1,569 | - | - | 1,569 |
| Investments – private equities | - | - | 16,132 | 16,132 |
| Investments – properties current | - | - | 1,554 | 1,554 |
| Investments – properties non-current | - | - | 96,337 | 96,337 |
| | 37,349 | - | 114,023 | 151,372 |

- The fair value of listed equities is based on quoted market prices at the reporting date.
- The fair value of private equity investments held in managed funds is determined using fund manager valuations and are adjusted for any performance fees in accordance with the AVCAL valuation guidelines. A variety of methods are used and assumptions are made based on market conditions existing at balance date.
- The fair value of directly held private equity investments is determined by management valuations in accordance with the AVCAL valuation guidelines. A variety of methods are used and assumptions are made based on market conditions existing at balance date.

| 31 July 2011 | Level 3 | Total |
|---|---|---|
| | $'000 | $'000 |
| **Reconciliation of level 3 fair value movements** | | |
| Opening balance | 114,023 | 114,023 |
| Purchases | 6,166 | 6,166 |
| Sales | (6,473) | (6,473) |
| Gain recognised in profit or loss | 2,291 | 2,291 |
| Closing balance | 116,007 | 116,007 |

| 31 July 2010 | Level 3 | Total |
|---|---|---|
| | $'000 | $'000 |
| **Reconciliation of level 3 fair value movements** | | |
| Opening balance | 26,662 | 26,662 |
| Purchases | 90,263 | 90,263 |
| Sales | (4,138) | (4,138) |
| Gain recognised in profit or loss | 1,236 | 1,236 |
| Closing balance | 114,023 | 114,023 |

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

**Managed and Direct Private Equity**

The company's practice for 'Managed Private Equity' valuations is to procure each Fund Manager's published unit price valuation and review it for reasonableness, potential misstatements and impairments. In reviewing each Fund Manager's valuation, consideration is given to audited accounts, compliance with Australian Venture Capital Association (AVCAL) valuation guidelines, Australian Accounting Standards, valuation methodology and assumptions, peer valuations, recent market prices, liquidity and control provisions, discussions with the Fund Manager and, where considered relevant, meetings with the underlying investee company's management.

The company holds 'Direct Private Equity' investments in unlisted companies which have been valued using the Board and management's best estimation of market value. The same valuation considerations for managed private equity are applied to direct private equity with greater emphasis given to audited net asset values, liquidity and minority shareholder provisions.

The impact of the revaluation of Private equities at 31 July 2011 was a loss of $2,360,695 (2010: a gain of $839,000) recognised in profit or loss.

**Investment Property**

Investment property valuations are estimated by the Board and management with reference where possible to external valuations, market appraisals, recent comparable sales, date of purchase and capitalisation rate valuations. The impact on profit or loss relating to the revaluation of investment properties was a gain of $1,373,000 during 2011 (2010: $173,000).

## 4. SEGMENT INFORMATION

The company operates only in Australia in the following segments based on the company's management reporting system:

- Cash and fixed interest
- Listed equities
- Private equities
- Investment properties
- Development properties
- Other

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Segment revenue** | | |
| Cash and fixed interest – interest received | 1,181 | 1,468 |
| Listed equities – dividends and option income | 2,758 | 2,752 |
| Private equities – distributions received | 183 | 520 |
| Investment properties – rent received | 12,377 | 6,325 |
| Other | - | 2 |
| | 16,499 | 11,067 |
| **Segment other income** | | |
| Listed equities – recognised gains on disposal | 474 | 4,922 |
| Private equities – recognised fair value gains (losses) | 819 | 839 |
| Investment properties – recognised gains on disposal | (35) | 124 |
| Investment properties – recognised fair value gains | 1,373 | 173 |
| Development properties – recognised gains on disposal | 133 | 100 |
| Other | (1,060) | 257 |
| | 1,704 | 6,415 |
| Total segment revenue and other income | 18,203 | 17,482 |
| **Segment result** | | |
| Cash and fixed interest | 1,181 | 1,468 |
| Listed equities | 1,609 | 4,121 |
| Private equities | 1,002 | 1,307 |
| Investment properties | 7,157 | 2,756 |
| Development properties | 118 | 38 |
| Other | (3,194) | (1,739) |
| | 7,873 | 7,951 |
| Income tax (expense) credit | (1,332) | (1,376) |
| Net profit | 6,541 | 6,575 |

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|

## 4. SEGMENT INFORMATION (CONTINUED)

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Segment assets** | | |
| Cash and fixed interest | 28,271 | 31,090 |
| Listed equities | 36,195 | 37,349 |
| Private equities | 14,286 | 16,132 |
| Investment properties | 99,367 | 95,913 |
| Development properties | 2,361 | 1,984 |
| Unallocated assets | 11,803 | 10,804 |
| Total assets | 192,283 | 193,272 |
| **Segment liabilities** | | |
| Investment properties | 35,125 | 35,858 |
| Unallocated liabilities | 6,854 | 5,692 |
| Total liabilities | 41,979 | 41,550 |
| Acquisition of: | | |
| - Investment properties | 2,135 | 87,885 |
| - Development properties | 1,377 | 350 |
| - Listed equities | 10,443 | 38,138 |
| - Private equities | 2,655 | 2,029 |
| Gains (losses) on disposal or revaluation of: | | |
| - Investment properties | 1,338 | 297 |
| - Development properties | 133 | 100 |
| - Listed equities | 473 | 4,922 |
| - Private equities | 819 | 839 |
| - Impairment – listed equities | (1,622) | (3,552) |
| Unallocated: | | |
| - Depreciation | 96 | 78 |
| - Acquisition of property, plant and equipment | 75 | 89 |

**Accounting policies**

Segment information is prepared in conformity with the accounting policies of the company as disclosed in note 1.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to a segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, investments, investment properties and plant and equipment, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of borrowings, trade and other creditors and employee entitlements. Segment assets and liabilities do not include income taxes. Tax assets and liabilities are represented as unallocated amounts.

**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 company.

| | 2011 $'000 | 2010 $'000 |
|---|---|---|

## 5. OPERATING PROFIT

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Profit from continuing operations before income tax expense includes the following specific items: | | |
| **Gains** | | |
| Private equity investment distributions | 183 | 520 |
| **Expenses** | | |
| Interest paid | 2,757 | 2,044 |

## 6. INCOME TAX EXPENSE

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Income tax expense (credit)** | | |
| Current tax | 996 | 1,768 |
| Deferred tax | 677 | (282) |
| Under (over) provided in prior years | (341) | (110) |
| | 1,332 | 1,376 |
| Income tax expense (credit) attributable to: | | |
| Profit from continuing operations | 1,332 | 1,376 |
| Profit from discontinued operations | - | - |
| Aggregate income tax expense (credit) on profit | 1,332 | 1,376 |
| **Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Profit from continuing operations before income tax expense | 7,873 | 7,951 |
| Tax at the Australian tax rate of 30% (2010 – 30%) | 2,361 | 2,385 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Non-assessable income | (1) | (62) |
| Franked dividends | (687) | (837) |
| (Over) provision in prior year | (341) | (110) |
| Income tax expense (credit) | 1,332 | 1,376 |
| **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 | (330) | 116 |

## 7. CASH AND CASH EQUIVALENTS

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Cash at bank and on hand | 7,931 | 8,090 |
| Cash in transit | - | 6,792 |
| Deposits at call | 19,805 | 16,000 |
| | 27,736 | 30,882 |

The deposits at call bear floating interest rates of up to 5.50% (2010: 5.65%).

## 8. CURRENT INVESTMENT PROPERTIES

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Balance at beginning of year | 1,554 | 3,580 |
| Transfers from non-current to current | 3,076 | - |
| Net gain (loss) from fair value adjustment | (176) | (175) |
| Sale of properties – proceeds | (769) | (1,840) |
| Net (loss) on disposal | (35) | (11) |
| Balance at end of year | 3,650 | 1,554 |

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **9. TRADE AND OTHER RECEIVABLES** | | |
| Trade debtors | 535 | 155 |
| Less: Provision for doubtful debts | - | - |
| | 535 | 155 |
| Other debtors (unsecured) | - | - |
| | 535 | 155 |
| **10. OTHER CURRENT ASSETS** | | |
| Prepayments | 683 | 718 |
| | 683 | 718 |
| **11. NON-CURRENT RECEIVABLES** | | |
| Loans to employees | 5 | 6 |
| Other loans | 5 | 6 |
| | 10 | 12 |

Information relating to directors and executives loans is set out in note 32.
Other loans include a property development loan on which interest is charged at commercial rates.
The directors believe the fair value of receivables equals the carrying amounts.

## 12. LISTED EQUITIES

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| At fair value | | |
| Balance at beginning of year | 37,349 | 82,749 |
| Revaluation to fair value | (1,098) | (117) |
| Additions | 10,443 | 38,138 |
| Impairment | (1,622) | (3,552) |
| Disposal proceeds | (9,350) | (84,791) |
| Net gain on disposal | 473 | 4,922 |
| Balance at end of year | 36,195 | 37,349 |

Changes in fair values of listed equities are recorded in equity.

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|

## 13. PRIVATE EQUITIES

| | | |
|---|---|---|
| At fair value through profit or loss | | |
| Balance at beginning of year | 16,132 | 13,732 |
| Revaluation to fair value | 819 | 839 |
| Additions | 2,655 | 2,029 |
| Disposal proceeds | (5,320) | (468) |
| Balance at end of year | 14,286 | 16,132 |

Changes in fair values of private equities at fair value through the profit or loss are recorded in other income.

## 14. DEVELOPMENT PROPERTIES

| | | |
|---|---|---|
| At cost | | |
| Balance at beginning of year | 1,978 | 2,539 |
| Additions | 1,377 | 350 |
| Net (loss) from fair value adjustment | (750) | - |
| Sale of properties – proceeds | (384) | (1,011) |
| Net gain on disposal | 133 | 100 |
| Balance at end of year | 2,354 | 1,978 |

## 15. NON-CURRENT INVESTMENT PROPERTIES

| | | |
|---|---|---|
| At fair value | | |
| Balance at beginning of year | 94,359 | 6,810 |
| Transfers from non-current to current | (3,076) | - |
| Acquisition of properties | 2,135 | 87,885 |
| Net gain (loss) from fair value adjustment | 2,299 | 348 |
| Sale of properties - proceeds | - | (684) |
| Balance at end of year | 95,717 | 94,359 |
| **Amounts recognised in profit or loss for investment properties** | | |
| Rental revenue | 12,377 | 6,325 |
| Direct operating expenses from rental generating properties | (3,825) | (1,939) |
| | 8,552 | 4,386 |

Changes in fair values of investment properties are recorded in other income.

## 15. NON-CURRENT INVESTMENT PROPERTIES (CONTINUED)

The company has reviewed the properties' carrying values and present the following:

| | Valuation Method | Acquisition Date | Cost including All additions $'000 | Cap Rate (%) | Valuation Amount $'000 | 2011 $'000 | 2010 $'000 |
|---|---|---|---|---|---|---|---|
| Port Central SC<br>Port Macquarie NSW | (a) | Dec 2009 | 60,701 | 9.0% | 63,581 | 63,000 | 60,611 |
| Kempsey Central SC *<br>Kempsey, NSW | (a) | Mar 2010 | 14,258 | 9.5% | 14,440 | 14,258 | 13,302 |
| Moonee Beach SC<br>Moonee Beach, NSW | (a) | May 2010 | 13,209 | 9.5% | 12,866 | 13,209 | 13,211 |
| 328-332 Bong Bong St<br>Bowral NSW ` | (b) | Nov 2004 | - | - | - | - | 3,076 |
| 35-39 Wharf St<br>Forster NSW | (c) | Feb 2005 | 1,566 | n/a | 1,725 | 1,478 | 1,478 |
| Other Properties | (c) | 1997 – 2011 | 3,372 | n/a | 3,513 | 3,772 | 2,681 |
| Total | | | 93,106 | | 96,125 | 95,717 | 94,359 |

*Kempsey Central previously known as Riverfront Plaza

(a) Fair value is based on capitalisation rates which reflect vacancy rates, tenant profile, lease expiry, development potential and the underlying physical condition of the centre. Further information used to support capitalisation rates has been provided in the table below.

| | *Port Central Shopping Centre* | *Kempsey Central Shopping Centre* | *Moonee Beach Shopping Centre* |
|---|---|---|---|
| Acquisition date | 18-Dec-09 | 12-Mar-10 | 13-May-10 |
| Period of ownership | 19 months | 16 months | 14 months |
| Age of centre | 16 years | 3 years | 5 years |
| Location | Port Macquarie | Kempsey | Coffs Harbour |
| Shopping centre type | Sub-regional | Neighbourhood | Neighbourhood |
| Majors | Super IGA, Target | Coles, Target | Coles |
| Specialties | 60 | 14 | 35 |
| Specialty occupancy | 98% | 64% | 23% |

(b) The investment was reclassified to a current asset (in previous years recorded as a non-current asset).

(c) Current prices in an active market for properties of similar nature or recent prices of different nature in less active markets.

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Freehold properties | Motor vehicles | Furniture, fittings & equipment | Total |
|---|---|---|---|---|
| **Year ended 31 July 2010** | | | | |
| Opening net book amount | 2,952 | 34 | 325 | 3,311 |
| Additions | - | 49 | 40 | 89 |
| Depreciation charge | (35) | (9) | (34) | (78) |
| Closing net book amount | 2,917 | 74 | 331 | 3,322 |
| **At 31 July 2010** | | | | |
| Cost or fair value | 3,059 | 109 | 452 | 3,620 |
| Accumulated depreciation | (142) | (35) | (121) | (298) |
| Net book amount | 2,917 | 74 | 331 | 3,322 |
| **Year ended 31 July 2011** | | | | |
| Opening net book amount | 2,917 | 74 | 331 | 3,322 |
| Additions | - | - | 75 | 75 |
| Depreciation charge | (31) | (13) | (52) | (96) |
| Closing net book amount | 2,886 | 61 | 354 | 3,301 |
| **At 31 July 2011** | | | | |
| Cost or fair value | 3,059 | 109 | 527 | 3,695 |
| Accumulated depreciation | (173) | (48) | (173) | (394) |
| Net book amount | 2,886 | 61 | 354 | 3,301 |

## 17. DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Employee benefits | 58 | 54 |
| Accruals | 107 | 27 |
| Listed equities | 2,074 | 3,013 |
| Private equities | 4,000 | 2,702 |
| Development properties | 900 | 675 |
| Other | 346 | 9 |
| Net deferred tax assets | 7,485 | 6,480 |
| Movements | | |
| Opening balance at 1 August | 6,480 | 5,917 |
| Credited to profit or loss | 1,005 | 563 |
| Closing balance at 31 July | 7,485 | 6,480 |
| Deferred tax assets to be recovered after 12 months | 511 | 90 |
| Deferred tax assets to be recovered within 12 months | 6,974 | 6,390 |
| | 7,485 | 6,480 |

| | 2011 $'000 | 2010 $'000 |
|---|---|---|

## 18. OTHER NON-CURRENT ASSETS

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Other assets | 331 | 331 |

## 19. TRADE AND OTHER PAYABLES

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Trade creditors | 713 | 549 |
| Other creditors and accruals | 677 | 554 |
| | 1,390 | 1,103 |

## 20. CURRENT BORROWINGS

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Bill payable – secured | 2,125 | - |
| Finance lease – secured | 11 | 10 |
| | 2,136 | 10 |

**Risk**

The company's exposure to interest rate changes arising from current and non-current borrowings is set out in note 2.

**Security**

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 23.

## 21. TAX LIABILITIES

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Income tax | 996 | 1,768 |

## 22. CURRENT PROVISIONS

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Employee entitlements | 90 | 29 |
| Other provisions | 28 | 176 |
| | 118 | 205 |

## 23. NON-CURRENT BORROWINGS

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Bill payable – secured | 33,000 | 35,325 |
| Finance lease – secured | 34 | 45 |
| | 33,034 | 35,370 |

**Risk**

The company's exposure to interest rate changes arising from current and non-current borrowings is set out in note 2.

**Security**

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

**Total secured liabilities**

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

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Bills payable[1] | 35,125 | 35,325 |
| Finance Lease[2] | 45 | 55 |
| | 35,170 | 35,380 |

## 23. NON-CURRENT BORROWINGS (CONTINUED)

**Assets pledged as security**
[1]$2.125 million bill is secured against Bong Bong St, Bowral & 35-39 Wharf St, Forster; the facility is BBSY plus 1.10%.

$26.0 million bill is secured against Port Central Shopping Centre ("SC"); the facility is BBSY plus 2.0%. The bank requires the business and company to meet certain financial ratios: the SC business must have a minimum interest coverage ratio of 1.80 times; the SC loan to valuation ratio not to exceed 50%(The LVR is measured against the specific asset/debt under this approval); the company gearing ratio must not exceed 40% and total tangible assets less total liabilities will be no less than $60 million.

$7 million bill is secured against Kempsey Central SC; the facility is BBSY plus 2.35%. The bank requires the business and company to meet certain financial ratios: the SC business must have a minimum interest coverage ratio of 1.80 times; the SC loan to valuation ratio not to exceed 57% on day one and 51% 18 months from funding (The LVR is measured against the specific asset/debt under this approval); the company gearing ratio must not exceed 40% and total tangible assets less total liabilities will be no less than $60 million.

The Company has complied with the borrowing ratios.

[2] $45,000 is secured against specific plant and equipment.

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Financing arrangements** | | |
| Unrestricted access was available at balance date to the following lines of credit: | | |
| Total facilities | | |
| Unsecured bank overdrafts | 1,000 | 1,000 |
| Secured bill facilities | 35,125 | 35,325 |
| Secured loan facility | 45 | 55 |
| | 36,170 | 36,380 |
| Used at balance date | | |
| Secured bill facilities | 35,125 | 35,325 |
| Secured loan facility | 45 | 55 |
| | 35,170 | 35,380 |
| Unused at balance date | | |
| Unsecured bank overdrafts | 1,000 | 1,000 |
| | 1,000 | 1,000 |

The interest rates at balance date were up to a maximum of 8.41% on the secured bill facilities (2010: 8.34%).

**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.

**Off-balance sheet**
There are no off- balance sheet borrowings or contingencies other than as referred to in note 2.

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **24. NON-CURRENT PROVISIONS** | | |
| Employee entitlements | 103 | 150 |
| Other provisions | 14 | 94 |
| | 117 | 244 |
| **25. DEFERRED TAX LIABILITIES** | | |
| The balance comprises temporary differences attributable to: | | |
| Prepayments | 98 | 76 |
| Investment properties | 2,040 | 394 |
| Listed equities | 1,988 | 2,318 |
| Net deferred tax liabilities | 4,126 | 2,788 |
| Movements: | | |
| Opening balance at 1 August | 2,788 | 2,440 |
| Charged (credited) to profit or loss | 1,668 | 232 |
| Charged (credited) to equity | (330) | 116 |
| Closing balance at 31 July | 4,126 | 2,788 |
| Deferred tax liabilities to be settled after 12 months | 4,126 | 2,788 |
| Deferred tax liabilities to be settled within 12 months | - | - |
| | 4,126 | 2,788 |

| | Number of Shares 2011 | Number of Shares 2010 | 2011 $'000 | 2010 $'000 |
|---|---|---|---|---|

## 26. CONTRIBUTED EQUITY

**Share capital**

| | Number of Shares 2011 | Number of Shares 2010 | 2011 $'000 | 2010 $'000 |
|---|---|---|---|---|
| Ordinary shares fully paid | 49,003,325 | 49,892,213 | 13,294 | 15,294 |

**Movements in ordinary share capital**

| Date | Details | Number of Shares | Issue Price Per Share | $'000 |
|---|---|---|---|---|
| 31/07/2009 | Balance | 42,588,378 | - | (895) |
| | Dividend Reinvestment Plan | 1,759,849 | $2.42 | 4,259 |
| | Rights Issue | 5,543,986 | $2.20 | 12,197 |
| | less costs of Rights Issue | - | - | (267) |
| 31/07/2010 | Balance | 49,892,213 | - | 15,294 |
| | Buyback | (888,888) | $2.25 | (2,000) |
| 31/07/2011 | Balance | 49,003,325 | | 13,294 |

**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.

**Dividend reinvestment plan**
The dividend reinvestment plan may be offered to shareholders by Directors, and allows shareholders to reinvest dividends into shares in the company. The dividend reinvestment plan remains suspended for current and future dividends.

**Deferred employee share plan**
The Deferred Employee Share Plan may be used as part of any incentive payments for all employees. For transaction cost reasons, where possible shares bought back as part of the company's ongoing capital reduction program are recognised for this purpose rather than cancelled.

**Options**
There were no options on issue at the time of this report.

**Rights issue**
On 16 November 2009 the company invited its shareholders to subscribe to a rights issue of 1 new share for every 8 existing GOW ordinary shares at an issue price of $2.20 per new share, with such shares to be issued on, and rank for dividends after, 17 December 2009. The issue was fully subscribed.

**On-market share buy back**
During March 2011 the company purchased and cancelled 888,888 ordinary shares on the market. The shares were acquired at a cost of $2.25 per share. The total cost of $2,000,000 was deducted from equity.

**Capital risk management**
The company's objective when managing capital is to safeguard the ability to continue as a going concern, so that continued returns to shareholders and benefits for other stakeholders can be provided while maintaining an optimal capital structure.

| | 2011 $'000 | 2010 $'000 |
|---|---|---|

## 27. RESERVES

**Reserves**

Movements

| | | |
|---|---|---|
| **Capital profits reserve**[1] | | |
| Opening balance | 90,503 | 90,503 |
| Transfer from retained profits | - | - |
| Closing balance | 90,503 | 90,503 |
| **Long term investment revaluation reserve**[2] | | |
| Opening balance | 5,407 | 5,136 |
| Fair value adjustments available for sale assets | | |
| -Listed Equities | (1,099) | 387 |
| Deferred tax applicable to fair value adjustments | 330 | (116) |
| Closing balance | 4,638 | 5,407 |
| Total reserves | 95,141 | 95,910 |

[1] The capital profits reserve is used to record pre-CGT profits.
[2] The long term investment revaluation reserve is used to record increments and decrements on listed equities recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated assets are sold. Impaired amounts are recognised in profit or loss.

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **28. DIVIDENDS** | | |
| Ordinary shares | | |
| 2010 final and special dividend of 5.0 cents (2010: 5.0 cents final ) per share | 2,495 | 4,259 |
| Interim dividend of 5.5 cents (2010: 5.0 cents) per share | 2,695 | 2,495 |
| Total dividends declared | 5,190 | 6,754 |
| Dividends paid in cash | 5,190 | 4,626 |
| Dividend reinvestment plan | - | 2,128 |
| | 5,190 | 6,754 |

Franked dividends declared and paid during the year were fully franked at the tax rate of 30%.

**Dividends declared after year end**
Subsequent to year end the directors have recommended the payment of a final dividend of 5.5 cents per ordinary share fully franked based on tax paid at 30%. The maximum amount of the proposed dividend expected to be paid on 21 October 2011 out of retained profits at 31July 2011 is $2,695,185 (2010: $2,494,611).

The financial effect of the dividend declared subsequent to the reporting date has not been brought to account in the financial statements for the year ended 31 July 2011 and will be recognised in subsequent financial reports.

The Dividend Reinvestment Plan (DRP) will be suspended for the final dividend declared.

**Franked dividends**
The franked portions of the final dividends declared after 31 July 2011 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 2011.

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Franking credits available for subsequent financial years (tax paid basis) | 13,094 | 13,681 |

The above amounts are based on the balance of the franking account at year end, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date
(d) franking credits that may be prevented from being distributed in subsequent financial years.

| | 2011 $'000 | 2010 $'000 |
|---|---|---|

## 29. REMUNERATION OF AUDITORS

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Audit and review | 70 | 66 |
| Tax services | 11 | 11 |
| Advisory services | - | 2 |
| | 81 | 79 |

## 30. COMMITMENTS FOR EXPENDITURE

**Capital commitments**

The company has uncalled capital commitments of up to $2,537,500 (2010: $2,561,500) over a period of up to 10 years in relation to private equity and property fund investments held at year end.

The company has a capital commitment of $1.044 million in relation to works being carried out at Kempsey Central.

## 31. EMPLOYEE ENTITLEMENTS

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Long service leave (note 24) | 103 | 29 |
| Accrual for annual leave | 90 | 150 |
| Other creditors and accruals | 300 | 360 |
| | 493 | 539 |

## 32. 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 and J. G. Parker.
All of these persons were also directors during the year ended 31 July 2010.

**Remuneration**
Information on remuneration of directors and other key management personnel is disclosed in the remuneration report.

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| Directors and other key management personnel | | |
| Short-term employee benefits | 1,083,065 | 955,391 |
| Share based compensation | 175,000 | - |
| Post-employment benefits | 190,226 | 97,744 |
| Long-term benefits | 30,005 | 11,854 |
| | 1,478,296 | 1,064,989 |

The company has taken advantage of the relief provided by Corporations Regulation 2M.3.03 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 11 to 14.

**Shares**
All shares were held beneficially by the directors and other key management personnel.

| | Shares held as at 31 July 2009<br>No. | Shares acquired/ (disposed) during the year<br>No. | Shares held as at 31 July 2010<br>No. | Shares acquired/ (disposed) during the year<br>No. | Shares held as at 31 July 2011<br>No. |
|---|---|---|---|---|---|
| W. A. Salier | 46,774 | 8,020 | 54,794 | - | 54,794 |
| J. E. Gowing | 16,204,072 | 2,778,796 | 18,982,868 | - | 18,982,868 |
| J. G. Parker | 40,000 | 10,000 | 50,000 | - | 50,000 |
| G. J. Grundy | 35,135 | 27,033 | 62,168 | 55,556 | 117,724 |
| J. S. Byers | 25,000 | 4,288 | 29,288 | 20,712 | 50,000 |
| M.D. de Lepervanche | - | - | - | 22,222 | 22,222 |

**Loans to directors and executives**
There were no loans to directors and executives of the company during the year.

There were no other transactions with directors and director related entities and executives.

## 33. INTERESTS IN JOINT VENTURES

**Joint venture operations**
The company has entered into a joint venture operation named Bunya Pines Estate joint venture for land sub-division and development. The company has a 50% participating interest in this joint venture and is entitled to 50% of its output.

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

The company has entered into a joint venture operation, known as Verge Street, as a long term investment property immediately adjacent to a new neighbouring shopping centre. The company has a 50% participating interest in this joint venture and is entitled to 50% of its output.

The company has entered into a joint venture operation known as Yarrawonga. Yarrawonga is an approved 32 industrial strata unit development. The company has a 50% interest in this venture and is entitled to 50% of its output.

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

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| **Current assets** | | |
| Cash | 44 | 50 |
| Investment properties | 2,650 | - |
| Trade and other receivables | 34 | 37 |
| Total current assets | 2,728 | 87 |
| **Non-current assets** | | |
| Investment properties | 700 | 3,776 |
| Development properties | 977 | 1,228 |
| Total non-current assets | 1,677 | 5,004 |
| Current Share of assets employed in joint venture | 4,405 | 5,091 |
| **Current liabilities** | | |
| Trade and other payables | 14 | 14 |
| Borrowings | 2,125 | - |
| Total current liabilities | 2,139 | 14 |
| **Non-current liabilities** | | |
| Borrowings | - | 2,325 |
| Total non-current liabilities | - | 2,325 |
| Current share of liabilities employed in joint venture | 2,139 | 2,339 |
| Net assets employed in joint venture | 2,266 | 2,752 |

$2.125 million of borrowings is secured against investment properties of Regional Retail Properties (Note 23).

## 34. SHARE-BASED PAYMENTS

The Deferred Employee Share Plan has been in operation since 2006 which allows fully paid ordinary shares to be issued for no cash consideration. All Australian resident permanent employees (excluding directors) who have been continuously employed by the company for a period of at least three years are eligible to participate in the scheme. Employees may elect not to participate in the scheme.
Shares are acquired on-market prior to the issue. Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment of the company. In all other respects the shares rank equally with other fully-paid ordinary shares on issue.

**Options**
No options were on issue at year end (2010: Nil).

## 35. EARNINGS PER SHARE

| | 2011 | 2010 |
|---|---|---|
| Basic earnings per share (cents) | 13.21c | 13.85c |
| Diluted earnings per share (cents) | 13.21c | 13.85c |
| Weighted average number of ordinary shares on issue | 49,522,046 | 47,476,364 |
| Net profit after tax | 6,541,000 | 6,575,000 |

## 36. RECONCILIATION OF NET PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Profit from ordinary activities after income tax | 6,541 | 6,575 |
| Depreciation | 97 | 78 |
| Net gain on sale of equities | - | (4,922) |
| Impairment – equities | - | 3,552 |
| Net gain on sale of investment properties | (473) | (124) |
| Net gain on sale of other non current asset | (98) | (100) |
| Net exchange difference | - | (196) |
| Fair value gains on private equities | - | (839) |
| Revaluation of investment properties to market value | (1,373) | (173) |
| Revaluation of investments to market value | 3,983 | - |
| Other income | (167) | - |
| Provisions for employee entitlements | (47) | 33 |
| Decrease (increase) in receivables | (379) | 958 |
| Decrease (increase) in prepayments | 36 | - |
| Decrease (increase) in income taxes | (109) | (1,939) |
| Decrease (increase) in deferred tax balances | - | (332) |
| Increase (decrease) in borrowings | 4 | - |
| Increase (decrease) in trade creditors and accruals | 287 | 563 |
| Net cash inflow from operating activities | 8,302 | 3,134 |

## 37. SUBSEQUENT EVENTS

No matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

## 38. 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.
Phone: 61 2 9264 6321
Facsimile: 61 2 9264 6240
Email: info@gowings.com
Website: www.gowings.com

Gowing Bros. Limited shares are listed on the Australian Securities Exchange.

The company secretaries are Mr G.J. Grundy and Mr J. S. Byers.

The share register is maintained by 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.

1. In the directors' opinion:

   (a) the financial statements and notes set out on pages 19 to 49 are in accordance with the Corporations Act 2001, including:

      (i) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
      (ii) giving a true and fair view of the company's financial position as at 31 July 2011 and of its performance 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.

2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

3. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 31 July 2011 required by section 295A of the Corporations Act 2001.

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

W. A. SALIER
Director

J. E. GOWING
Director

Sydney
27 October 2011

To the directors of Gowing Bros. Limited:

As lead auditor for the audit of the financial report of Gowing Bros Limited for the year ended 31 July 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

**D Swindells**
**Partner**

**HLB MANN JUDD**
**Chartered Accountants**
**Sydney**

**26 October 2011**

To the members of Gowing Bros Limited

**Report on the Financial Report**

We have audited the accompanying financial report of Gowing Bros Limited, which comprises the balance sheet as at 31 July 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Gowing Bros Limited.

***Directors' Responsibility for the Financial Report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report of Gowing Bros Limited complies with International Financial Reporting Standards.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Gowing Bros Limited on 26 October 2011, would be in the same terms if provided to the directors as at the time of this auditor's report.

***Auditor's Opinion***

In our opinion:

(a) the financial report of Gowing Bros Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the company's financial position as at 31 July 2011 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 31 July 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

***Auditor's Opinion***

In our opinion the Remuneration Report of Gowing Bros Limited for the year ended 31 July 2011 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

**HLB MANN JUDD**
**Chartered Accountants**

**D K Swindells**
**Partner**
**Sydney**

27 October 2011

# ISSUES TO SHAREHOLDERS SINCE 19 SEPTEMBER 1985

| 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 issue | 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 |
| 31/10/92 | 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 | | |
| 17/07/09 | Dividend Re-investment | Accumulated profits | 2.87 |
| 05/11/10 | Dividend Re-investment | Accumulated profits | 2.42 |
| 17/12/10 | 1 for 8 Rights Issue | Accumulated profits | 2.20 |
| 02/03/11 | Share buy back | Accumulated profits | 2.25 |

# NOTES PAGE

# NOTES PAGE