GOWINGS

Investing together for a secure future

Newsletter & Update

As at 31 January 2012

RESULT COMMENTARY: 31 JANUARY 2012

Movement in Net Assets per Share (6 months)

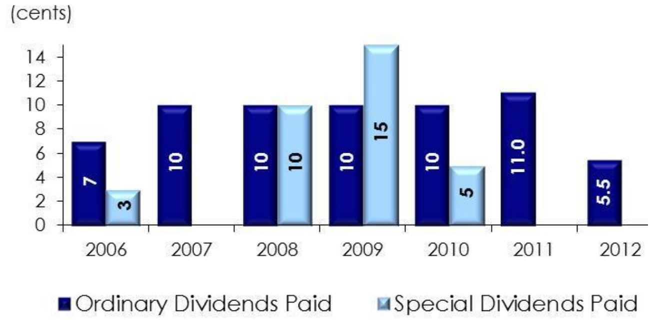
Gowings' net assets per share was $3.09 as at 31 January 2012 before allowing for tax on unrealised capital gains. If the company were to sell its entire long term investment portfolio, its net assets per share after allowing for tax would be $3.05 per share.

Net assets per share increased by 3.5c during the period less 5.5c in fully franked dividends paid to shareholders. The 3.5c increase represents a 1.1% total return during an ongoing uncertain environment in which the ASX Accumulation Index generated a negative return of -1.2% (refer table adjacent).

Interim Ordinary Dividend

The Directors have declared **a fully franked ordinary interim dividend of 5.5c** (2011: 5.5c). The interim dividend has a record date of 11 April 2012 payable on 26 April 2012.

When considering the declaration of the interim dividend, the board took into account the significant capital expenditure program required to refurbish the newly acquired shopping centre in Coffs Harbour and decided it would be prudent to maintain the interim dividend at the previous year's level.

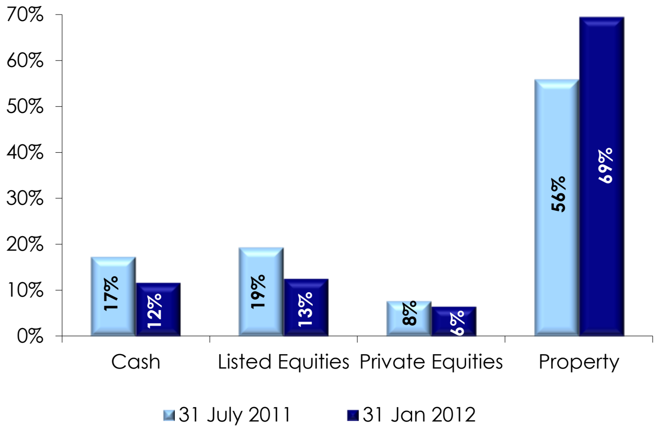


Shareholder Returns

For the 6 months ended	Before tax on unrealised gains	After tax on unrealised gains
Net assets per share 31 July 2011	$3.11	$3.07
Net assets per share 31 Jan 2012	**$3.09**	**$3.05**
Increase in net assets	($0.02)	($0.02)
+ Interim dividend paid	$0.055	$0.055
Total Return*	**$0.035**	**$0.035**
Total Return %*	**1.1%**	**1.1%**
S&P ASX Accumulation Index	**-1.2%**	**-1.2%**

* *Total return is after all internal management expenses and taxes paid.*

Investment Portfolio Mix



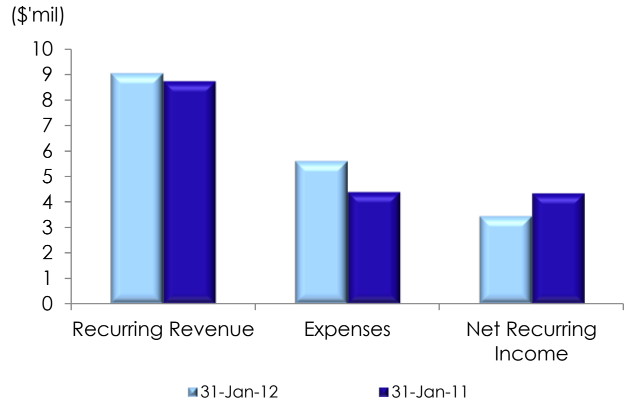
The weighting in investment property increased during the period from 56% to 69% of the total portfolio following the purchase of the Palms Shopping centre in November 2012 for $32.7 million.

The acquisition was funded by existing cash reserves and new borrowings of $14 million.

Following the acquisition of the Palms Shopping Centre, the company sold down a portion of its listed equity portfolio to maintain its weighting in cash. A significant portion of the cash on hand at 31 January 2012 will be reinvested in the refurbishment of the Palms over the course of the next 12 months.

Recurring Earnings

For the 6 months ended:	31 Jan 2011	31 Jan 2012	Change
	($'000)	($'000)	%
Recurring Revenue			
Interest income	683	412	(40%)
Listed equity – dividends	1,496	1,110	(26%)
Private equity - distributions	88	107	22%
Investment property	6,457	7,415	15%
Total Recurring Revenue	**8,724**	**9,044**	**4%**
Recurring Expenses			
Investment property	1,919	2,457	28%
Administration	137	223	63%
Borrowing cost	1,384	1,848	34%
Depreciation	44	56	27%
Employee	755	876	16%
Public company	151	143	(5%)
Total Recurring Expenses	**4,390**	**5,603**	**28%**
Net Recurring Income	**4,334**	**3,441**	**(21%)**



A primary focus of the board and management is on the underlying 'recurring earnings' of the company being the principal driver of the company's capacity to pay dividends of shareholders.

Recurring revenue (dividends, rent, interest received) increased by 4% during the 6 months to $9.0 million (2011: $8.7 million). The re-allocation of the investment portfolio towards property saw rental receipts increase by 15% or $958,000 to $7,415,000. This increase was partially offset by lower dividends received of $386,000 and lower interest income of $271,000 given the lower levels of listed equities and cash reserves. Interest income was impacted by lower average interest rates received during the period.

Whilst recurring revenue increased by 4% during the period, the increase was reduced by a number of 'one-off' items which affected the comparison of revenue between periods;

- Prior period Investment Property income included $157,000 of one-off tenant charges from earlier years.
- Prior period Investment Property income included income from development properties sold of $263,000.
- Current period Investment Property Income included some short term vacancies in relation to Port Central which re-located or re-leased 10 tenancies.

Recurring expenses (investment property expenses, borrowing costs and company overheads) increased 28% during the period to $5.6 million (2011: $4.4m).

'Investment property expenses' increased by 28% or $538,000 primarily due to the newly acquired Palms shopping Centre of $486,000 with a further $52,000 of increases across the remaining property assets.

'Administration expenses' increased by 63% or $86,000 due to an increase in consultancy fees and IT expenses.

'Borrowing costs' increased by 34% or $464,000 due to $217,000 of interest incurred on the new $14 million Palms facility. The balance of the increase of $247,000 relates to a prior year penalty interest charge levied by the Australian Tax Office. This new charge is being disputed by Gowings and we have been successful in obtaining an $82,000 reduction subsequent to the half year end.

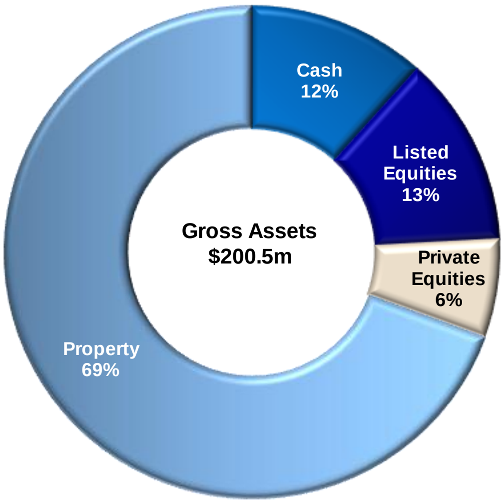
'Depreciation' has increased from $44,000 to $56,000 due to additional plant and equipment required for the head office management of the shopping centres.

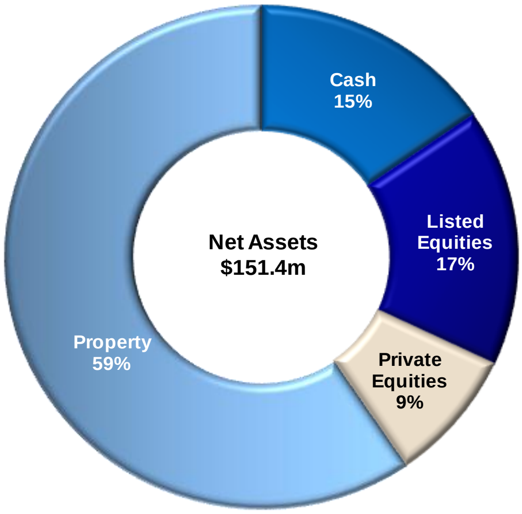
'Employee Expenses' at the head office level have increased by 16% or $121,000 due to an increase in head count associated with the acquisition of the Palms.

'Public company expenses' have decreased by 5%.

Net recurring income before tax decreased 21% to $3.4 million (2011: $4.3 million).

Investment Portfolio





Cash balances of $23.3 million (12% of gross investments) including working capital has been retained to fund capital development projects of the existing centres, meet working capital requirements and maintain a reserve to take advantage of future investment opportunities as they arise.

Listed equities have been reduced to 13% of the portfolio mix reflecting the ongoing uncertain outlook both locally and abroad. Current holdings include companies with a competitive advantage or dominant industry position having a strong management team and who pay high levels of dividends.

The **private equity** portfolio has been reduced to 6% following a $1.2m distributions from the ANZ and Macquarie Co-investment funds who both sold assets during the period. All managed private equity investments are in the later stages of the investment term and managers are seeking to realise remaining investments subject to market conditions.

Our direct private investments in Hexima (biotechnology), TPI (pharmaceutical) and Boundary Bend (olive oil) are in the early stages of a longer term investment horizon.

The **investment property** portfolio has increased to 69% of gross assets following the acquisition of the Palms Shopping Centre in Coffs Harbour.

Port Central ($63.9 million) continues to perform well during a difficult retail environment. The retail tenancy mix and lease expiry profile improved during the period with 22 leases completed out of a total 60. A $1 million upgrade program was completed including façade works, rebranding, new food court with increased seating capacity to 450 from 220 and free Wi-Fi.

Kempsey Central ($15.2 million) also completed a $2 million capital upgrade include new travelators, new lift, toilet amenities, façade works, food court and rebranding. We are seeing early results with the anchor supermarket sales up an average 9% post completion.

Moonee Beach ($13.2 million) has had some leasing success post half -year end with 5 of the 25 vacant tenancies being let. Moonee Beach has also had a new food court installed with further plans for new signage and re-branding.

The recently acquired Palms Shopping Centre ($32.7 million) is located on the main street of the CBD in Coffs Harbour and includes an adjoining development property. The centre has been underperforming in recent years and presents a turnaround opportunity given the attractive purchase price paid that allows for a capital expenditure program to upgrade and expand the centre.

GOWINGS

Investing together for a secure future

Newsletter & Update

As at 31 January 2012

Gowings 'At A Glance'

1. CASH & OTHER		31 Jan 2012		31 July 2011
Cash and term deposits		17,969,000		27,736,000
Working capital *		5,370,000		4,594,000
Total Cash & Other		**23,339,000**		**32,330,000**
2. EQUITIES				
Blackmores Ltd		5,771,000		5,852,000
ANZ Banking Group		4,432,000		7,436,000
Woolworths Ltd		3,271,000		3,554,000
Westpac Banking Corp		3,173,000		3,063,000
National Australia Bank		2,743,000		4,680,000
Carlton Investments		2,651,000		2,827,000
QBE Insurance Group		1,146,000		4,067,000
Wotif.com Holdings		677,000		966,000
Other holdings		1,220,000		3,750,000
Total Equities		**25,084,000**		**36,195,000**
3. PRIVATE EQUITIES				
Macquarie Whole Sale Co-Investment		2,019,000		2,740,000
ANZ Business Equity Fund		1,500,000		2,100,000
TSL Group		2,000,000		2,000,000
Boundary Bend		2,000,000		2,000,000
Macquarie European Infrastructure		1,944,000		2,056,000
Crescent Capital Partnership Ltd		847,000		917,000
Hexima Limited		875,000		875,000
Other Investments		1,713,000		1,598,000
Total Private Equities		**12,898,000**		**14,286,000**
4. PROPERTY				
Retail		130,053,000		95,684,000
Commercial		4,072,000		4,087,000
Industrial		1,500,000		1,500,000
Residential		982,000		982,000
Property Development		2,577,000		2,354,000
Borrowings		-49,100,000		-35,125,000
Total Property		**90,084,000**		**69,482,000**
Net assets before tax on unrealised gains		**151,405,000**		**152,293,000**
Provision for tax on unrealised gains		(1,887,000)		(1,989,000)
Net assets after tax on unrealised gains		**149,518,000**		**150,304,000**
Number of Shares Outstanding		49,003,325		49,003,325
Net Assets per share before estimated tax on unrealised gains	**$**	**3.09**	**$**	**3.11**
Net Assets per share after allowing for estimated tax on unrealised gains	**$**	**3.05**	**$**	**3.07**

* Working capital consists of all other assets not defined separately above, all liabilities excluding borrowings of $49,100,000 which is included in section 4, and before provision for tax on unrealised gains.

Outlook

As expected, the uncertain economic environment continued through the past 6 month period and is likely to persist for some years yet.

Globally, the Chinese engine room is slowing its rate of growth in response to inflation problems. The US economy is modestly picking up but US employment and housing remain stagnant. Europe remains in turmoil with the future of the European Union in question and the majority of developed world governments remaining heavily indebted.

In Australia, there has been an interest rate cut in response to a noticeable slowdown on the eastern seaboard in particular across sectors including retail, housing and manufacturing. The Australian dollar is high, making Australia uncompetitive in the manufacturing, agribusiness and tourism industries. There is an uncertain political environment Federally and recent State elections are sending an apparent strong message about the management of Australia's affairs. Australia's fiscal tightening has continued with numerous new taxes including the flood levy, mining tax, carbon tax and abolishment of the health care rebate. The cost of living is rising as Australians pay more for petrol, electricity charges, water charges, local government rates and taxes on tobacco.

In response, Australians have become more fiscally conservative by increasing their savings rate and reducing consumption levels. Business and consumer confidence is at very low levels which would indicate that this situation is likely to continue in the short to medium term.

As an investor in different asset classes, we remain comfortable with our diversified mix of high yielding assets given the uncertain outlook for capital growth.

Our property portfolio which now represents 69% of our investment portfolio delivers a steady stream of income.

Our listed equity and private equity investments provide both a source of income and the potential for longer term capital growth.

About Gowings

INVESTMENT OBJECTIVE

To maximise and protect shareholder wealth over the long term.

INVESTMENT PHILOSOPHY

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

Investments are made in assets which have the potential to deliver superior growth over the long term when that growth is not reflected in today's asset prices. Investments are made on a risk return basis with higher returns required for more risky assets. An investment is sold when its outlook becomes uncertain or it becomes significantly overvalued.

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

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

John Gowing
Managing Director