



GOWINGS

Est. 1868

ACN 000 010 471

144th ANNUAL REPORT

31 July 2012

INVESTING TOGETHER FOR A SECURE FUTURE

CORPORATE DIRECTORY

DIRECTORS

W. A. Salier (Chairman)
J. E. Gowing (Managing Director)
J. G. Parker (Non-executive Director)
R. D. Fraser (Non-executive Director)

SECRETARIES

G. J. Grundy
J. S. Byers

STOCK EXCHANGE LISTING

The Australian Securities Exchange
Ticker Code: GOW

REGISTERED OFFICE

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Pyrmont NSW 2009
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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

CONTENTS

ABOUT GOWINGS	1
MANAGING DIRECTOR'S REVIEW OF OPERATIONS	2
OUR TRACK RECORD	3
GOWINGS AT A GLANCE	5
THE BOARD OF DIRECTORS AND MANAGEMENT	6
DIRECTORS' REPORT	8
REMUNERATION REPORT	12
CORPORATE GOVERNANCE	16
AUSTRALIAN SECURITIES EXCHANGE LISTING REQUIREMENTS	18
FINANCIAL REPORT	19
DIRECTORS' DECLARATION	51
AUDITOR'S INDEPENDENCE DECLARATION	52
INDEPENDENT AUDIT REPORT	53
ISSUES TO SHAREHOLDERS SINCE 19 SEPTEMBER 1985	55

**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 economic cycles. This assists to outperform the equity market during periods of 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 144 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 according 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 2012.

Net assets per share were \$3.11 as at 31 July 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 tax paid would be \$3.07 per share.

Gowings net assets per share, after allowing for payment of a dividend of 11c per share, were steady at \$3.11, reflecting a 3.5% total shareholder return achieved during an ongoing uncertain environment.

The reweighting of the Investment portfolio towards higher yielding income producing assets continued during the financial year with the purchase of the Coffs Central Shopping Centre for \$30.8 million in November 2011. The acquisition was funded by existing cash reserves and net borrowing of \$14.0 million.

Cash reserves were partly replenished during the year following the sale of \$12.7 million of listed equities together with private equity distributions of \$2.0 million. A prudent level of cash reserves has been maintained to fund the partly completed \$15.0 million upgrade and expansion of Coffs Central Shopping Centre.

The board of directors has declared a **5.5c fully franked final dividend** per share bringing total dividends out of 2012 profits to 11c (2011: 11c) maintaining the level of the prior year. The final dividend of 5.5c is payable on 24 October 2012 with a record date of 10 October 2012.

Outlook

Whilst global share markets have staged a recent recovery on hopes of further stimulus measures and quantitative easing, the economic reality is that conditions remain difficult both at home and abroad.

Governments globally are trying to stimulate economic growth while dealing with their own fiscal imbalances creating an uncertain investment environment.

Economic growth in China has slowed and its property market is seeing lower prices and subdued development activity. China remains well funded and able to stimulate its economy, however it faces the difficult task of stimulating domestic demand in favour of its usual growth levers of exports and capital expenditure.

The situation in the USA has not yet improved materially with a lack of jobs, low housing activity and a depressed manufacturing sector. The Federal Reserve has announced new stimulus measures to create jobs that may also sow the seeds for an inflationary environment. The European Union continues its united front to keep the Euro but has failed to reach agreement on its future financial path.

Australia's terms of trade and profits are turning down largely due to lower resource prices and the high Australian dollar. The once immune mining companies are now laying off staff and cancelling investment projects and new developments. The retail and building sectors remain under pressure and confidence levels indicate that this will remain the case in the near future. Our own government finances remain in deficit and recently imposed taxes are hurting economic growth and confidence levels.

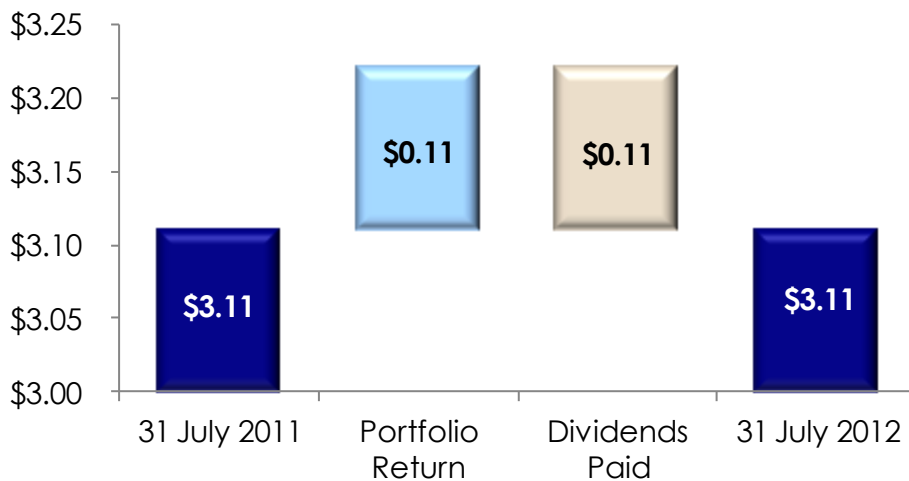
Gowings is cautious about the investment outlook for capital growth and remains focused on generating income as its principal source of investment return. Our core investments in shopping centres now account for 70% of the portfolio and provide a stable source of income to pay dividends to shareholders over the long term. Operational improvements and capital initiatives undertaken during the current year to our shopping centres have improved the quality of these assets and will see financial benefits flow through to future years.

Gowings remains well positioned to protect and grow shareholder wealth over the long term with its diversified mix of quality investments across different asset classes.

John Gowing
Managing Director
26 October 2012



MOVEMENT IN NET ASSETS PER SHARE



SHAREHOLDER RETURNS

	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 July 2012	\$3.11	\$3.07
Increase in net assets	\$0.00	\$0.00
+ Ordinary fully franked dividends	\$0.11	\$0.11
Total Return	\$0.11	\$0.11
Total Return %	3.5%	3.6%
S&P ASX Accumulation Index	1.3%	1.3%

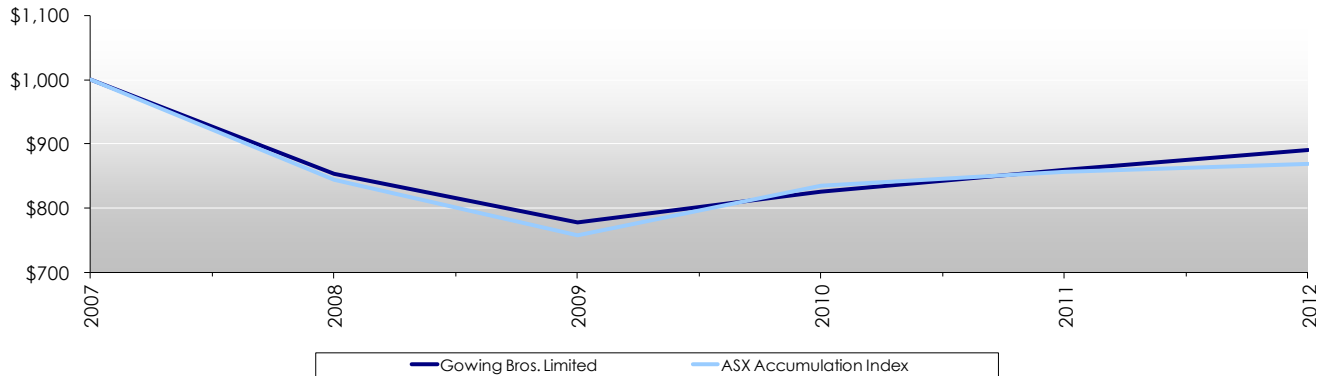
DIVIDENDS

	2012 CENTS PER SHARE	2011 CENTS PER SHARE	PAYMENT DATE	FRANKING
Final dividend declared (record date 10/10/12)	5.5c		24/10/12	100%
Interim dividend paid	5.5c		27/04/12	100%
Final dividend paid		5.5c	21/10/11	100%
Interim dividend paid		5.5c	21/04/11	100%
Total	11.0c	11.0c		

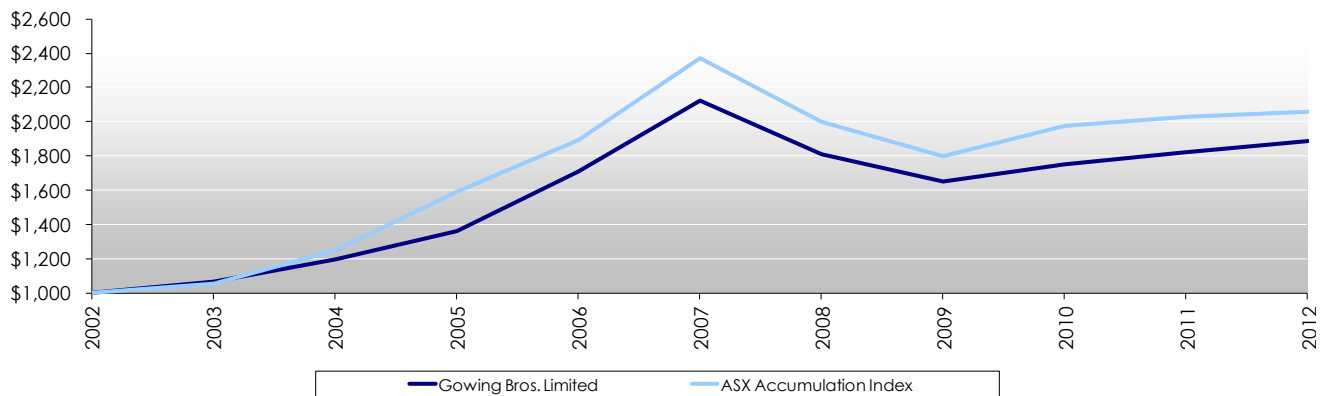


SHAREHOLDER RETURNS

5 Year Comparative Growth of \$1,000 Invested



10 Year Comparative Growth of \$1,000 Invested

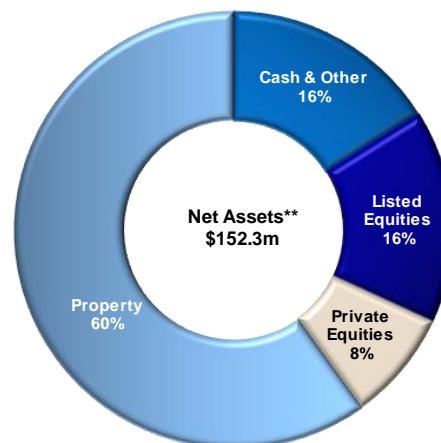
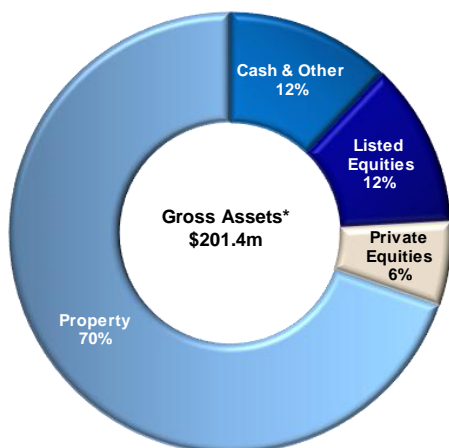


	31 July 2012	31 July 2011	31 July 2010	31 July 2009	31 July 2008
Per Share	(12 months)	(12 months)	(12 months)	(12 months)	(12 months)
Opening net assets ¹	\$3.11	\$3.09	\$3.05 ²	\$3.82	\$4.71
Closing net assets	\$3.11	\$3.11	\$3.09	\$3.23	\$3.82
(Decrease) / increase	\$0.00	\$0.020	\$0.04	(\$0.59)	(\$0.89)
+ Ordinary dividends paid	\$0.11	\$0.105	\$0.10	\$0.10	\$0.10
+ Special dividends paid	-	-	\$0.05	\$0.15	\$0.10
Total return	\$0.11	\$0.125	\$0.19	(\$0.34)	(\$0.69)
Total return %	3.5%	4.0%	6.2%	(8.9%)	(14.6%)
S&P ASX 200 Accum. Index	1.3%	2.7%	10.1%	(10.2%)	(15.6%)

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 2012	31 July 2011
	\$	\$
1. CASH & OTHER		
Cash and term deposits	20,650,000	27,736,000
Working capital ***	3,800,000	4,594,000
Total Cash & Other	24,450,000	32,330,000
2. EQUITIES		
ANZ Banking Group	4,873,000	7,436,000
Woolworths Ltd	3,769,000	3,554,000
Westpac Banking Corporation	3,480,000	3,063,000
Blackmores Ltd	2,973,000	5,852,000
National Australia Bank	2,873,000	4,680,000
Carlton Investments	2,790,000	2,827,000
QBE Insurance Group	1,404,000	4,067,000
Wotif.com Holdings	709,000	966,000
Other holdings	1,251,000	3,750,000
Total Equities	24,122,000	36,195,000
3. PRIVATE EQUITIES		
Macquarie Whole Sale Co-Investment Fund	2,054,000	2,740,000
TPI Group	2,000,000	2,000,000
Boundary Bend	2,000,000	2,000,000
Macquarie European Infrastructure	1,962,000	2,056,000
Hexima Limited	1,148,000	875,000
ANZ Business Equity Fund	866,000	2,100,000
Crescent Capital Partnership Ltd	835,000	917,000
AMP Capital Private Fund III	562,000	590,000
Other Investments	530,000	1,008,000
Total Private Equities	11,957,000	14,286,000

	31 July 2012	31 July 2011
	\$	\$
4. PROPERTY		
Retail	132,696,000	95,684,000
Commercial	3,459,000	4,087,000
Industrial	1,500,000	1,500,000
Residential	982,000	982,000
Property Development	2,278,000	2,354,000
Borrowings	(49,100,000)	(35,125,000)
Total Property	91,815,000	69,482,000
Net assets before tax on unrealised gains	152,344,000	152,293,000
Provision for tax on unrealised gains	(1,831,000)	(1,989,000)
Net assets after tax on unrealised gains	150,513,000	150,304,000
Number of Shares Outstanding	49,003,325	49,003,325
Net assets per share before estimated tax on unrealised gains	\$ 3.11	\$ 3.11
Net assets per share after allowing for estimated tax on unrealised gains	\$ 3.07	\$ 3.07

*** Working capital consists of all of 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.

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: 91,786 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 45 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 144 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, providing one-to-one business coaching to senior executives in Australia.

John brings considerable experience to the board with over 31 years in equities research and funds management in Sydney, London and South Africa.

Robert Fraser

Non-executive Director
B. Ec., LL.B (Hons) (Syd)
Shareholding: 63,118 shares

Robert was appointed as a non-executive director of Gowings on 2 April 2012. Robert is a corporate adviser and company director with over 23 years of investment banking experience.

Robert is presently the Managing Director of TC Corporate Pty Limited, the corporate advisory division of Taylor Collison Limited, stockbrokers, of which he is also a director and principal. He is also a licensed business broker and licensed real estate agent.

Robert brings particular expertise to the board in the areas of corporate and financial analysis, capital management, equity capital markets, corporate governance, investor relations and mergers and acquisitions.



THE BOARD OF DIRECTORS AND MANAGEMENT

EXECUTIVE MANAGEMENT**Garth Grundy**

General Manager / Company Secretary
Bachelor of Commerce, CA, F Fin
Shareholding: 173,528 shares

Garth has 20 years of investment and corporate advisory 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 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 14 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 2012.

Results

	2012	2011
	\$'000	\$'000
Operating profit for the year before income tax	7,877	7,873
Income tax (expense)	(1,910)	(1,332)
Net profit after income tax	5,967	6,541
Net profit attributable to members of Gowings Bros. Limited	5,967	6,541

Dividends

A final fully franked dividend of 5.5 cents per share is to be paid to shareholders on 24 October 2012	\$2,695,185
An interim fully franked dividend of 5.5 cents per share was paid to shareholders on 27 April 2012	\$2,695,185
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	\$2,695,185

Review of operations

The operations of the company is reviewed in the Managing Director's Review of Operations on page 2.

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

In a prior year the company invested \$5.0 million in a Collateralised Debt Obligation (CDO) known as the Coolangatta Note. Following the GFC and the insolvency of Lehman Bros. and the associated uncertainty regarding the likely realisation of this investment, the directors resolved to write the value of the CDO down to \$nil in a prior year.

Immediately prior to and continuing past the 2012 financial year end, the company has been in negotiations to sell the investment in the CDO to a foreign entity. In addition, the directors understand that other owners of the same CDO as Gowings have been continuing negotiations to settle the current impasse over the distribution of the underlying collateral behind the CDO. The directors of Gowings are cautiously optimistic that over the course of the next 6 to 12 months a material part of the investment will be recovered and brought to account.

Likely developments and expected results of operations

Further information on likely developments in the operations of the company is included in the Managing Director's Review of Operations on page 2.

Directors' interests

The following persons were directors of Gowling 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 Non-Executive Bachelor of Arts, LL.B., LL.M. (Harvard) Director since 1974 Member of the Audit Committee Mr Salier is a solicitor with 45 years experience No directorships held in other listed companies over the past 3 years	91,786	-
J. E. Gowling - Managing Director Executive Bachelor of Commerce Member of The Institute of Chartered Accountants in Australia Member of CPA Australia Director since 1983 No directorships held in other listed companies over the past 3 years	18,982,868	-
J. G. Parker Non-Executive Bachelor of Economics Director since 2002 Chairman of the Audit Committee Mr Parker is a coach of senior executives, with over 31 years as an investment and equities research professional No directorships held in other listed companies over the past 3 years	50,000	-
R. D. Fraser Non-Executive Bachelor of Economics, Bachelor of Laws (Hons) Director since 2 April 2012 Member of the Audit Committee Robert is a corporate adviser and company director with over 23 years of investment banking experience Robert is presently a non-executive director of ARB Corporation and FFI Holdings Limited In the past 3 years, Robert has served as a non-executive director of Crane Group Limited and Symex Holdings Limited	63,118	-

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	
	Meetings eligible to attend	Attended	Meetings eligible to attend	Attended
W. A. Salier	8	8	2	2
J. E. Gowling	8	8	-	-
J. G. Parker	8	8	2	2
R. D. Fraser	5	5	-	-

Remuneration report

The company's remuneration report, which forms a part of the Directors' Report, is on pages 12 to 15.

Corporate governance

A statement describing the company's main corporate governance practices is on pages 16 and 17.

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 52.

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:

	2012 \$	2011 \$
1. Audit services		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	74,000	70,075
2. Taxation services		
Tax compliance services, including review of company income tax returns	17,635	10,950
General tax advisory services	3,595	-

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 Gowong Bros. Limited.



W. A. SALIER
Director



J. E. GOWING
Director

Sydney
26 October 2012

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 previously chosen not to establish a Remuneration Committee given the nature of the company. The company has three non-executive directors, one executive director and three other executives this year. The full board currently 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 three 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 or part of the financial year ended 31 July 2012 were:

- W. A. Salier, Chairman
- J. G. Parker
- R. D. Fraser (appointed 2 April 2012)

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.

Executives

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 2012 were:

- J. E. Gowing, Managing Director
- G. J. Grundy, General Manager / Company Secretary
- J. S. Byers, Executive Officer Property / Company Secretary
- M. D. de Lepervanche, Commercial Manager

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. The Managing Director's incentive element is awarded on the basis of recommendations from the Board. 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.



REMUNERATION REPORT

Year ended 31 July 2012

Details of remuneration

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

2012	SHORT TERM EMPLOYEE BENEFITS			SHARE BASED COMPENSATION	POST-EMPLOYMENT BENEFITS	LONG TERM BENEFITS	TOTAL
	Cash salary and fees	Cash bonus	Non-monetary benefits		Super-annuation	Long service leave	
Name	\$	\$	\$	\$	\$	\$	\$
Non-executive directors							
W. A. Salier (Chairman)	60,000	-	-	-	-	-	60,000
J. G. Parker	-	-	-	-	40,000	-	40,000
R. D. Fraser	15,291	-	-	-	1,376	-	16,667
Non-executive directors	75,291	-	-	-	41,376	-	116,667
Executive directors							
J. E. Gowling	236,833	100,000	45,269	-	53,165	3,765	439,032
Other key management personnel							
G. J. Grundy	248,320	-	-	125,000	20,773	3,764	397,857
J. S. Byers	209,360	12,550	34,203	-	47,339	3,594	307,046
M. D. de Lepervanche	155,706	-	-	50,000	11,092	-	216,798
Total key management personnel compensation	925,510	112,550	79,472	175,000	173,745	11,123	1,477,400

2011	SHORT TERM EMPLOYEE BENEFITS			SHARE BASED COMPENSATION	POST-EMPLOYMENT BENEFITS	LONG TERM BENEFITS	TOTAL
	Cash salary and fees	Cash bonus	Non-monetary benefits		Super-annuation	Long service leave	
Name	\$	\$	\$	\$	\$	\$	\$
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. Gowling	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

Share based compensation includes shares issued from the Deferred Employee Share Plan.

REMUNERATION REPORT

Year ended 31 July 2012

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

NAME	FIXED REMUNERATION		AT RISK	
	2012 %	2011 %	2012 %	2011 %
Executive directors				
J. E. Gowling	69	63	31	37
Other key management personnel				
G. J. Grundy	69	70	31	30
J. S. Byers	86	71	14	29
M. D. de Lepervanche	77	76	23	24

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, R. D. Fraser, J. E. Gowling and J. S. Byers.

The company has entered into service agreements 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. Gowling, Managing Director

- Term – indefinite
- Base salary, inclusive of superannuation, as at 31 July 2012 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 2012 of \$45,269
- No termination benefit is payable

G. J. Grundy, General Manager / Company Secretary

- Term – indefinite
- Base salary, inclusive of superannuation, as at 31 July 2012 of \$252,000, to be reviewed annually by the Managing Director
- Other benefits and non-monetary benefits included motor vehicle allowance for the year ended 31 July 2012 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 2012 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 2012 of \$34,203
- No termination benefit is payable

M. D. de Lepervanche, Financial Controller / Commercial Manager

- Term – indefinite
- Base salary, inclusive of superannuation, as at 31 July 2012 of \$150,000, to be reviewed annually by the Managing Director.
- No termination benefit is 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 Gowling Bros. Limited is responsible for the corporate governance of the company. The board guides and monitors the business and affairs of Gowling Bros. Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Gowling Bros. Limited corporate governance practices were in place throughout the year ended 31 July 2012 and were compliant with the Australian Securities Exchange Corporate Governance Council's ("the Council's") "Corporate Governance Principles and 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 9.

The company currently has three non-executive directors and one executive director being the Managing Director, Mr John Gowling. All non-executive directors meet the independence requirements of the 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	38 years
John Parker	11 years
Robert Fraser	1 year
John Gowling	30 years

Diversity policy

The company's policy on diversity stipulates that there is to be no discrimination in respect of race, creed or gender when seeking potential candidates for board positions. This policy also applies to employees. Currently the company has a board of four male members and no female members, in addition, the company has twenty three employees, thirteen of whom are female. The female positions represent 48% of the company's total workforce, a level that would be expected to be maintained. The size of the company's operations does not provide widespread opportunities to have a workforce covering all sections of the community.

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
R. D. Fraser

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 12 to 15. 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 2012

Range of shares	No of shareholders
1- 1,000 shares	302
1,001-5,000 shares	479
5,001-10,000 shares	205
10,001-100,000 shares	301
Over 100,000 shares	36
Total shareholders	1,323

The number of shareholdings held in less than marketable parcels is 122.

2. Voting rights

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

3. Substantial shareholders at 30 September 2012

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
J P Morgan Nominees Australia Limited	2,705,693	Ordinary Shares

4. Top twenty equity security holders at 30 September 2012

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. Warwick Pty Limited	6,555,799	13.38
2. Audley Investments Pty Ltd	4,785,416	9.77
3. Mr John Edward Gowing	4,421,726	9.02
4. Carlton Hotel Limited	4,273,768	8.72
5. Woodside Pty Limited	2,823,268	5.76
6. JP Morgan Nominees Australia Limited	2,705,693	5.52
7. Australian United Investment Company Limited	2,000,000	4.08
8. Diversified United Investment Limited	2,000,000	4.08
9. The Ian Potter Foundation Ltd	1,626,614	3.32
10. Mr Frederick Bruce Wareham	640,014	1.31
11. Enbear Pty Limited	578,936	1.18
12. RBC Investor Services Australia Nominees Pty Limited	558,591	1.14
13. Mrs Jean Kathleen Poole-Williamson	516,767	1.05
14. T N Phillips Investments Pty Ltd	500,000	1.02
15. Beta Gamma Pty Ltd	411,112	.84
16. Invia Custodian Pty Limited	367,489	.75
17. Mythia Pty Ltd	360,000	.73
18. National Nominees Limited	342,883	.70
19. Mr Graeme Legge	291,058	.59
20. Cranley Holdings Pty Limited	247,315	.50
Total	36,006,449	73.46
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 16 and 17.



CONTENTS

STATEMENT OF COMPREHENSIVE INCOME	20
BALANCE SHEET	21
STATEMENT OF CHANGES IN EQUITY	22
STATEMENT OF CASH FLOWS	23
NOTES TO THE FINANCIAL STATEMENTS	24
DIRECTORS' DECLARATION	51
AUDITOR'S INDEPENDENCE DECLARATION	52
INDEPENDENT AUDIT REPORT	53
ISSUES TO SHAREHOLDERS SINCE 19 SEPTEMBER 1985	55

144th ANNUAL REPORT

The financial statements were authorised for issue by the directors on 26 October 2012. The directors have the power to amend and reissue the financial statements.



STATEMENT OF COMPREHENSIVE INCOME

31 July 2012

	Notes	2012 \$'000	2011 \$'000
Revenue			
Interest income		778	1,181
Listed equities		1,850	2,758
Private equities		55	183
Investment properties	15	15,957	12,377
Other revenue		-	-
Total revenue		18,640	16,499
Other income			
Gains / (losses) on disposal or revaluation of:			
Listed equities	12	1,364	473
Private equities	13	(163)	819
Investment properties	15	(141)	2,088
Development properties	14	58	(617)
Other income		213	(1,059)
Total other income		1,331	1,704
Total revenue and other income		19,971	18,203
Expenses			
Investment property expenses	15	5,625	3,825
Administration expenses		501	282
Borrowing cost expenses		3,480	2,757
Depreciation expenses		119	96
Employee benefits expense		1,814	1,447
Public company expenses		319	301
Total expenses		11,858	8,708
Profit from continuing operations before impairment & income tax expense		8,113	9,495
Unrealised impairment listed equities		236	1,622
Profit before income tax expense		7,877	7,873
Income tax expense	6	1,910	1,332
Profit from continuing operations		5,967	6,541
Other comprehensive income			
Net (decrease) in fair value of investments net of tax (Note 6)		(367)	(769)
Total comprehensive income attributable to members of Gowling Bros. Limited		5,600	5,772
Basic earnings per share	35	12.18c	13.21c
Diluted earnings per share	35	12.18c	13.21c

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



BALANCE SHEET

As at 31 July 2012

	Notes	2012 \$'000	2011 \$'000
Current assets			
Cash and cash equivalents	7	20,650	27,736
Investment properties	8	3,650	3,650
Trade and other receivables	9	262	194
Other	10	1,327	1,024
Total current assets		25,889	32,604
Non-current assets			
Receivables	11	10	10
Listed equities	12	24,122	36,195
Private equities	13	11,957	14,286
Development properties	14	2,278	2,354
Investment properties	15	132,587	95,717
Property, plant and equipment	16	2,950	3,301
Deferred tax assets	17	7,247	7,485
Other	18	1,597	331
Total non-current assets		182,748	159,679
Total assets		208,637	192,283
Current liabilities			
Trade and other payables	19	3,039	1,390
Borrowings	20	2,111	2,136
Current tax liabilities	21	361	996
Provisions	22	168	118
Total current liabilities		5,679	4,640
Non-current liabilities			
Payables		62	62
Borrowings	23	47,023	33,034
Provisions	24	276	117
Deferred tax liabilities	25	5,084	4,126
Total non-current liabilities		52,445	37,339
Total liabilities		58,124	41,979
Net assets		150,513	150,304
Equity			
Contributed equity	26	13,294	13,294
Reserves	27	94,774	95,141
Retained profits		42,445	41,869
Total equity		150,513	150,304

The above Balance Sheet should be read in conjunction with the accompanying notes.



STATEMENT OF CHANGES IN EQUITY

31 July 2012

	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 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	26	(2,000)	-	-	-	(2,000)
Dividends paid	28	-	-	-	(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
Total comprehensive income for the year		-	-	(367)	5,967	5,600
Transactions with owners in their capacity as owners:						
Buy-back of shares		-	-	-	-	-
Dividends paid	28	-	-	-	(5,391)	(5,391)
		-	-	-	(5,391)	(5,391)
Balance at 31 July 2012		13,294	90,503	4,271	42,445	150,513

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



STATEMENT OF CASH FLOWS

Year ended 31 July 2012

	Notes	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		17,466	13,445
Payments to suppliers and employees (inclusive of GST)		(8,915)	(4,851)
Dividends received		1,904	2,941
Interest received		741	1,244
Borrowing costs		(3,360)	(2,695)
Income taxes paid		(1,193)	(1,782)
Net cash inflows from operating activities	36	6,643	8,302
Cash flows from investing activities			
Payments for purchases of properties, plant and equipment		(223)	(75)
Payments for purchases of development properties		(52)	(1,377)
Payments for purchases of investment properties		(37,011)	(2,135)
Payments for financial assets		-	(12,467)
Proceeds from sale of financial assets		14,843	10,858
Proceeds from sale of property and other assets		186	1,152
Net cash (outflows) from investing activities		(22,257)	(4,044)
Cash flows from financing activities			
Loans Issued		(40)	-
Proceeds from borrowings		14,000	-
Proceeds from shares issued		-	-
Payments for shares bought back		-	(2,000)
Repayment of borrowings		(41)	(214)
Dividends paid		(5,391)	(5,190)
Net cash inflows / (outflows) from financing activities		8,528	(7,404)
Net (decrease) in cash held		(7,086)	(3,146)
Cash and cash equivalents at the beginning of the financial year		27,736	30,882
Cash and cash equivalents at the end of the financial year	7	20,650	27,736

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 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)****(d) Income tax (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 loss 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 assets classified as property, plant and equipment (excluding freehold 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. Freehold properties are measured at fair value, with changes in fair value recognised in other comprehensive income. 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 freehold land) 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

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 in listed equities are initially recognised at fair value plus transaction costs. Investments in private equities are initially recognised at fair value, and transaction costs are expensed in profit or loss.

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. 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.

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.

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, 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 listed equities, 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 listed equities, 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, is transferred to profit or loss. Impairment losses recognised in profit or loss on listed equities 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) 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.

(p) 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.

(q) 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.

(r) 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)

(s) 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.

(t) 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.

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 July 2012 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 1 January 2015)

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 2015 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.

(v) 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:

Currency exposure in AUD	31 July 2012				31 July 2011			
	USD \$'000	EUR \$'000	NZD \$'000	GBP \$'000	USD \$'000	EUR \$'000	NZD \$'000	GBP \$'000
Cash	1	17	1	-	5,328	19	1	974
Listed equities	536	-	-	-	317	311	-	-
Private equities	-	1,963	-	-	-	2,056	-	-

Based on the cash held at 31 July 2012, if the Australian dollar weakened / strengthened by 10% against the US dollar cash would have been \$84 higher / \$69 lower (2011: \$592,020 higher / \$484,380 lower). If the Australian dollar weakened / strengthened by 10% against the EUR cash would have been \$1,874 higher / \$1,533 lower (2011: \$2,101 higher / \$1,719 lower). If the Australian dollar weakened / strengthened by 10% against the NZD dollar cash would have been \$82 higher / \$67 lower (2011: \$84 higher / \$69 lower). If the Australian dollar weakened / strengthened by 10% against the GBP cash would have been \$23 higher / \$19 lower (2011: \$108,283 higher / \$88,595 lower).

Based on the equities held at 31 July 2012, if the Australian dollar weakened / strengthen by 10% against the US dollar equities would have been \$59,185 higher / \$48,424 lower (2011: \$35,193 higher / \$28,794 lower). There were no holdings of EUR equities at year end (2011: \$34,604 higher / \$28,313 lower).

Based on the private equities held at 31 July 2012, if the Australian dollar weakened / strengthened by 10% against the EUR private equities would have been \$218,079 higher / \$178,428 lower (2011: \$228,492 higher / \$186,948 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 \$1,803,963 (2011: \$2,524,025) and \$3,607,925 (2011: \$5,048,051) 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 earned 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 2012		31 July 2011	
	Weighted average interest rate	Balance \$'000	Weighted average interest rate	Balance \$'000
Borrowings	6.30%	49,134	6.95%	35,170
Interest rate swaps (notional principal amount)	5.20%	(35,000)	5.86%	(25,000)
Net exposure to cash flow interest rate risk		14,134		10,170

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 and 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 2012	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	3,039	62	-	-	3,101
Variable rate	2,100	47,000	-	-	49,100
Fixed rate	11	13	10	-	34
Total non-derivatives	5,150	47,075	10	-	52,235
Derivatives					
Interest rate swaps (to be settled on a net basis)	-	-	35,000	-	35,000



2. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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 31 July 2012 and 31 July 2011.

31 July 2012	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Investments – listed Australian equities	23,586	-	-	23,586
Investments – listed global equities	536	-	-	536
Investments – private equities	-	-	11,957	11,957
Investments – properties current	-	-	3,650	3,650
Investments – properties non-current	-	-	134,865	134,865
Property Plant and Equipment				
Freehold Properties	-	-	2,400	2,400
	24,122	-	152,872	176,994

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
Property Plant and Equipment				
Freehold Properties	-	-	2,886	2,886
	36,195	-	118,893	155,088

- 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 2012	Level 3	Total
	\$'000	\$'000
Reconciliation of level 3 fair value movements		
Opening balance	118,893	118,893
Purchases	37,063	37,063
Sales	(2,182)	(2,182)
Loss recognised in profit or loss	(902)	(902)
Closing balance	152,872	152,872
31 July 2011		
	\$'000	\$'000
Reconciliation of level 3 fair value movements		
Opening balance	116,940	116,940
Purchases	6,166	6,166
Sales	(6,473)	(6,473)
Gain recognised in profit or loss	2,260	2,260
Closing balance	118,893	118,893

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 2012 was a loss of \$276,000 (2011: a loss of \$2,360,695) 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 loss of \$141,000 during 2012 (2011: a gain of \$2,123,000).



	2012	2011
	\$'000	\$'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

Segment revenue

Cash and fixed interest – interest received	778	1,181
Listed equities – dividends and option income	1,850	2,758
Private equities – distributions received	55	183
Investment properties – rent received	15,957	12,377
Other	-	-
	18,640	16,499

Segment other income

Listed equities – recognised gains on disposal	1,364	473
Private equities – recognised fair value (losses) / gains	(163)	819
Investment properties – recognised loss on disposal	-	(35)
Investment properties – recognised fair value (losses) / gains	(141)	2,123
Development properties – recognised gains on disposal	58	133
Development properties – recognised fair value (losses) / gains	-	(750)
Other	213	(1,059)
	1,331	1,704

Total segment revenue and other income	19,971	18,203
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Segment result

Cash and fixed interest	778	1,181
Listed equities	2,978	1,609
Private equities	(108)	1,002
Investment properties	6,894	7,907
Development properties	42	(632)
Other	(2,707)	(3,194)
	7,877	7,873
Income tax (expense)	(1,910)	(1,332)
Net profit	5,967	6,541



	2012 \$'000	2011 \$'000
4. SEGMENT INFORMATION (CONTINUED)		
Segment assets		
Cash and interest receivable	21,094	28,271
Listed equities	24,122	36,195
Private equities	11,957	14,286
Investment properties	136,237	99,367
Development properties	2,283	2,361
Unallocated assets	12,944	11,803
Total assets	208,637	192,283
Segment liabilities		
Investment properties	49,100	35,125
Unallocated liabilities	9,024	6,854
Total liabilities	58,124	41,979
Acquisition of:		
- Investment properties	37,011	2,135
- Development properties	52	1,377
- Listed equities	-	10,443
- Private equities	-	2,655
Gains / (losses) on disposal or revaluation of:		
- Investment properties	416	2,088
- Fixed Assets	455	-
- Development properties	58	(617)
- Listed equities	1,365	473
- Private equities	(275)	819
- Impairment – listed equities	(236)	(1,622)
Unallocated:		
- Depreciation	120	96
- Acquisition of property, plant and equipment	223	75

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 of borrowings. Segment assets and liabilities do not include income taxes. Tax assets and liabilities, trade and other creditors and employee entitlements 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.



	2012	2011
	\$'000	\$'000

5. OPERATING PROFIT

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

Gains

Private equity investment distributions	55	183
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Expenses

Interest paid	3,480	2,757
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6. INCOME TAX EXPENSE**Income tax expense**

Current tax	532	996
Deferred tax	1,353	677
Under / (over) provided in prior years	25	(341)
	1,910	1,332

Income tax expense attributable to:

Profit from continuing operations	1,910	1,332
Profit from discontinued operations	-	-

Aggregate income tax expense on profit	1,910	1,332
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Reconciliation of income tax expense to prima facie tax payable

Profit from continuing operations before income tax expense	7,877	7,873
Tax at the Australian tax rate of 30% (2011: 30%)	2,363	2,361

Tax effect of amounts which are not deductible (taxable) in calculating taxable income:

Non-assessable income	(7)	(1)
Franked dividends	(471)	(687)
Under / (over) provision in prior year	25	(341)

Income tax expense / (credit)	1,910	1,332
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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	(157)	(330)
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7. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	4,366	7,931
Deposits at call	16,284	19,805
	20,650	27,736

The deposits at call bear floating interest rates of up to 5.30% (2011: 5.50%).

8. CURRENT INVESTMENT PROPERTIES

Balance at beginning of year	3,650	1,554
Transfers from non-current to current	-	3,076
Net (loss) from fair value adjustment	-	(176)
Sale of properties – proceeds	-	(769)
Net (loss) on disposal	-	(35)
Balance at end of year	3,650	3,650



	2012 \$'000	2011 \$'000
9. TRADE AND OTHER RECEIVABLES		
Trade debtors	262	194
Less: Provision for doubtful debts	-	-
	262	194
10. OTHER CURRENT ASSETS		
Prepayments	986	683
Income tax refund	341	341
	1,327	1,024
11. NON-CURRENT RECEIVABLES		
Loans to employees	4	5
Other loans	6	5
	10	10

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

At fair value		
Balance at beginning of year	36,195	37,349
Revaluation to fair value	(524)	(1,098)
Additions	-	10,443
Impairment	(236)	(1,622)
Disposal proceeds	(12,677)	(9,350)
Net gain on disposal	1,364	473
Balance at end of year	24,122	36,195

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



	2012 \$'000	2011 \$'000
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13. PRIVATE EQUITIES

At fair value through profit or loss

Balance at beginning of year	14,286	16,132
Revaluation to fair value	(163)	819
Additions	-	2,655
Disposal proceeds	(2,166)	(5,320)
Balance at end of year	11,957	14,286

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	2,354	1,978
Additions	52	1,377
Net (loss) from fair value adjustment	-	(750)
Sale of properties – proceeds	(186)	(384)
Net gain on disposal	58	133
Balance at end of year	2,278	2,354

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

15. NON-CURRENT INVESTMENT PROPERTIES

At fair value

Balance at beginning of year	95,717	94,359
Transfers from non-current to current	-	(3,076)
Acquisition of properties	37,011	2,135
Net gain / (loss) from fair value adjustment	(141)	2,299
Balance at end of year	132,587	95,717

Amounts recognised in profit or loss for investment properties

Rental revenue	15,957	12,377
Direct operating expenses from rental generating properties	(5,625)	(3,825)
	10,332	8,552

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 (%)	2012 \$'000	2011 \$'000
Port Central SC						
Port Macquarie, NSW	(a)	Dec 2009	62,115	9.0	64,414	63,000
Coffs Central SC*						
Coffs Harbour, NSW	(a)	Nov 2011	33,743	10.2	33,743	-
Kempsey Central SC						
Kempsey, NSW	(a)	Mar 2010	15,531	9.5	15,531	14,258
Moonee Beach SC						
Moonee Beach, NSW	(a)	May 2010	13,341	9.5	13,341	13,209
35-39 Wharf St						
Forster, NSW	(b)	Feb 2005	1,566	n/a	1,478	1,478
Other Properties	(b)	1997 – 2012	3,823	n/a	4,080	3,772
Total			130,119		132,587	95,717

- (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	Coffs Central Shopping Centre	Kempsey Central Shopping Centre	Moonee Beach Shopping Centre
Acquisition date	18-Dec-09	4-Nov-11	12-Mar-10	13-May-10
Period of ownership	31 months	9 months	28 months	26 months
Age of centre	17 years	25 years	4 years	6 years
Location	Port Macquarie	Coffs Harbour	Kempsey	Coffs Harbour
Shopping centre type	Sub-regional	Sub-regional	Neighbourhood	Neighbourhood
Majors	Target, Super IGA	Big W, Best & Less	Coles, Target	Coles
Specialties	61	46	14	36
Specialty occupancy	95%	83%	71%	36%

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



	Freehold properties	Motor vehicles	Furniture, fittings & equipment	Total
16. PROPERTY, PLANT AND EQUIPMENT				
Year ended 31 July 2012				
Opening net book amount	2,886	61	354	3,301
Fair value adjustment	(455)	-	-	(455)
Additions	-	74	149	223
Depreciation charge	(31)	(16)	(72)	(119)
Closing net book amount	2,400	119	431	2,950
At 31 July 2012				
Cost or fair value	2,604	183	676	3,463
Accumulated depreciation	(204)	(64)	(245)	(513)
Net book amount	2,400	119	431	2,950
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

	2012 \$'000	2011 \$'000
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17. DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

Employee benefits	87	58
Accruals	229	107
Listed equities	1,811	2,074
Private equities	4,082	4,000
Development properties	900	900
Other	138	346
Net deferred tax assets	7,247	7,485
Movements		
Opening balance at 1 August	7,485	6,480
(Debited) / credited to profit or loss	(238)	1,005
Closing balance at 31 July	7,247	7,485
Deferred tax assets to be recovered after 12 months	6,794	6,974
Deferred tax assets to be recovered within 12 months	453	511
	7,247	7,485



	2012 \$'000	2011 \$'000
18. OTHER NON-CURRENT ASSETS		
Other assets	1,597	331
19. TRADE AND OTHER PAYABLES		
Trade creditors	1,518	713
Other creditors and accruals	1,521	677
	3,039	1,390
20. CURRENT BORROWINGS		
Bill payable – secured	2,100	2,125
Finance lease – secured	11	11
	2,111	2,136
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		
Income tax	361	996
22. CURRENT PROVISIONS		
Employee entitlements	168	90
Other provisions	-	28
	168	118
23. NON-CURRENT BORROWINGS		
Bill payable – secured	47,000	33,000
Finance lease – secured	23	34
	47,023	33,034
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:		
Bills payable ¹	49,100	35,125
Finance lease ²	34	45
	49,134	35,170

**23. NON-CURRENT BORROWINGS (CONTINUED)****Assets pledged as security**

¹\$2.1m bill is secured against Bong Bong St, Bowral & 35-39 Wharf St, Forster; the facility is BBSY plus 1.10%.

¹\$26.0 million bill is secured against Port Central Shopping Centre ("SC"); the facility is BBSY plus 1.88%. 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 must be no less than \$60 million.

¹\$7.0 million bill is secured against Kempsey Central SC; the facility is BBSY plus 2.13%. 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 must be no less than \$60 million.

¹\$14.0 million bill is secured against Coffs Central SC; the facility is BBSY plus 1.7%. 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 60% (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 must be no less than \$60 million.

The company has complied with the borrowing ratios.

²\$34,000 is secured against specific plant and equipment.

	2012 \$'000	2011 \$'000
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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	49,100	35,125
Secured loan facility	34	45
	<hr/> 50,134	<hr/> 36,170
Used at balance date		
Secured bill facilities	49,100	35,125
Secured loan facility	34	45
	<hr/> 49,134	<hr/> 35,170
Unused at balance date		
Unsecured bank overdrafts	1,000	1,000
	<hr/> 1,000	<hr/> 1,000

The interest rates at balance date were up to a maximum of 6.29% on the secured bill facilities (2011: 8.41%).

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.



	2012 \$'000	2011 \$'000
24. NON-CURRENT PROVISIONS		
Employee entitlements	120	103
Other provisions	156	14
	276	117
25. DEFERRED TAX LIABILITIES		
The balance comprises temporary differences attributable to:		
Prepayments	159	98
Investment properties	3,095	2,040
Listed equities	1,830	1,988
Net deferred tax liabilities	5,084	4,126
Movements:		
Opening balance at 1 August	4,126	2,788
Charged / (credited) to profit or loss	1,115	1,668
Charged / (credited) to equity	(157)	(330)
Closing balance at 31 July	5,084	4,126
Deferred tax liabilities to be settled after 12 months	5,084	4,126
Deferred tax liabilities to be settled within 12 months	-	-
	5,084	4,126



	Number of Shares 2012	Number of Shares 2011	2012 \$'000	2011 \$'000
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26. CONTRIBUTED EQUITY

Share capital

Ordinary shares fully paid	49,003,325	49,003,325	13,294	13,294
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Movements in ordinary share capital

Date	Details	Number of Shares	Issue Price Per Share	\$'000
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
31/07/2012	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.

On-market share buy back

No shares were bought back during the year (2011: 888,888 shares).

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.



	2012 \$'000	2011 \$'000
27. RESERVES		
Reserves		
Movements		
Capital profits reserve¹		
Opening balance	90,503	90,503
Transfer from retained profits	-	-
Closing balance	90,503	90,503
Long term investment revaluation reserve²		
Opening balance	4,638	5,407
Fair value adjustments on available for sale assets		
-Listed equities	(524)	(1,099)
-Deferred tax applicable to fair value adjustments	157	330
Closing balance	4,271	4,638
Total reserves	94,774	95,141

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.



	2012 \$'000	2011 \$'000
28. DIVIDENDS		
Ordinary shares		
2011 final dividend of 5.5 cents (2011: 5.0 cents final) per share	2,696	2,495
2012 Interim dividend of 5.5 cents (2011: 5.5 cents) per share	2,695	2,695
Total dividends declared	5,391	5,190
Dividends paid in cash	5,391	5,190
Dividend reinvestment plan	-	-
	5,391	5,190

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 24 October 2012 out of retained profits at 31 July 2012 is \$2,695,185 (2011: \$2,695,185).

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 2012 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 2012 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 2012.

	2012 \$'000	2011 \$'000
Franking credits available for subsequent financial years (tax paid basis)	11,819	13,094

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.



	2012 \$'000	2011 \$'000
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29. REMUNERATION OF AUDITORS

Audit and review	74	70
Tax services	22	11
	96	81

30. COMMITMENTS FOR EXPENDITURE

Capital commitments

The company has uncalled capital commitments of up to \$2,537,500 (2011: \$2,537,500) 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 \$258,000 (2011: \$nil) in relation to works being carried out at Port Central.

Capital works at Kempsey were completed during the year and accordingly there are no capital commitments at year end (2011: \$1,044,000).

The company has commenced construction works to Coffs Central with further capital commitments of approximately \$9.0 million.

31. EMPLOYEE ENTITLEMENTS

Long service leave (note 24)	120	103
Accrual for annual leave	168	90
Other creditors and accruals	454	300
	742	493

**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, J. G. Parker and R. D. Fraser.

Messrs W. A. Salier, J. E. Gowing and J. G. Parker were also directors during the year ended 31 July 2011.

Remuneration

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

	2012 \$'000	2011 \$'000
Directors and other key management personnel		
Short-term employee benefits	1,117,532	1,083,065
Share based compensation	175,000	175,000
Post-employment benefits	173,745	190,226
Long-term benefits	11,123	30,005
	1,477,400	1,478,296

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 12 to 15.

Shares

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

	Shares held as at 31 July 2010 No.	Shares acquired/ (disposed) during the year No.	Shares held as at 31 July 2011 No.	Shares acquired/ (disposed) during the year No.	Shares held as at 31 July 2012 No.
W. A. Salier	54,794	-	54,794	36,992	91,786
J. E. Gowing	18,982,868	-	18,982,868	-	18,982,868
J. G. Parker	50,000	-	50,000	-	50,000
R. D. Fraser	58,118	-	58,118	5,000	63,118
G. J. Grundy	62,168	55,556	117,724	55,804	173,528
J. S. Byers	29,288	20,712	50,000	-	50,000
M. D. de Lepervanche	-	22,222	22,222	22,322	44,544

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.

Receivables from directors and executives

At year end the following directors and executives owed the company money, J E Gowing \$12,621, G J Grundy \$452 and M de Lepervanche \$479. J E Gowings owed amounts in relation to motor vehicle insurance of \$9,908 and \$2,713 was a result of sale of furniture by the company at cost price. Amounts owed by G J Grundy and M de Lepervanche were as a result of sale of furniture by the company at cost price.

**33. INTERESTS IN JOINT VENTURES****Joint venture operations**

The company entered into a joint venture operation named Bunya Pines Estate joint venture for land sub-division and development in a prior financial year. The company had a 50% participating interest in this joint venture and was entitled to 50% of its output. The Bunya Pines Estate joint venture was discontinued during the financial year.

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 Yarrowonga. Yarrowonga 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:

	2012 \$'000	2011 \$'000
Current assets		
Cash	50	44
Investment properties	2,650	2,650
Trade and other receivables	14	34
Total current assets	2,714	2,728
Non-current assets		
Investment properties	700	700
Development properties	849	977
Total non-current assets	1,549	1,677
Current Share of assets employed in joint venture	4,263	4,405
Current liabilities		
Trade and other payables	-	14
Borrowings	2,100	2,125
Total current liabilities	2,100	2,139
Non-current liabilities		
Borrowings	-	-
Total non-current liabilities	-	-
Current share of liabilities employed in joint venture	2,100	2,139
Net assets employed in joint venture	2,163	2,266

\$2.1 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 from shares held by the Plan. 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 (2011: Nil).

	2012	2011
35. EARNINGS PER SHARE		
Basic earnings per share (cents)	12.18c	13.21c
Diluted earnings per share (cents)	12.18c	13.21c
Weighted average number of ordinary shares on issue	49,003,325	49,522,046
Net profit after tax	\$5,967,000	\$6,541,000



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

	2012 \$'000	2011 \$'000
Profit from ordinary activities after income tax	5,967	6,541
Depreciation	119	96
Net gain on sale of equities	-	-
Impairment – equities	236	-
Net gain on sale of investment properties	(1,364)	(473)
Net gain on sale of other non-current asset	(58)	(98)
Revaluation of investment properties to market value	141	(2,123)
Revaluation of development properties	-	750
Revaluation of investments to market value	163	3,983
Revaluation of Property Plant & Equipment to market value	455	-
Other income	193	(166)
Provisions for employee entitlements	16	(47)
Decrease / (increase) in receivables	(62)	(379)
Decrease / (increase) in prepayments	(1,519)	36
Decrease / (increase) in income taxes	718	(109)
Increase / (decrease) in borrowings	6	4
Increase / (decrease) in trade creditors and accruals	1,632	287
Net cash inflow from operating activities	6,643	8,302

37. SUBSEQUENT EVENTS

In a prior year the company invested \$5.0 million in a Collateralised Debt Obligation (CDO) known as the Coolangatta Note. Following the GFC and the insolvency of Lehman Bros. and the associated uncertainty regarding the likely realisation of this investment, the directors resolved to write the value of the CDO down to \$nil in a prior year.

Immediately prior to and continuing past the 2012 financial year end, the company has been in negotiations to sell the investment in the CDO to a foreign entity. In addition, the directors understand that other owners of the same CDO as Gowings have been continuing negotiations to settle the current impasse over the distribution of the underlying collateral behind the CDO. The directors of Gowings are cautiously optimistic that over the course of the next 6 to 12 months a material part of the investment will be recovered and brought to account.

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.



DIRECTORS' DECLARATION

31 July 2012

1. In the directors' opinion:
 - (a) the financial statements and notes set out on pages 19 to 50 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 2012 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 2012 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
26 October 2012



To the directors of Gowling Bros. Limited:

As lead auditor for the audit of the financial report of Gowling Bros Limited for the year ended 31 July 2012, 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 K Swindells
Partner
Sydney

26 October 2012

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To the members of Gowling Bros. Limited

Report on the financial report

We have audited the accompanying financial report of Gowling Bros Limited, which comprises the balance sheet as at 31 July 2012, 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 Gowling 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 Gowling 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 Gowling Bros Limited on 26 October 2012, would be in the same terms if provided to the directors as at the time of this auditor's report.

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**Auditor's opinion**

In our opinion:

- (a) the financial report of Gowling 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 2012 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 2012. 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 Gowling Bros. Limited for the year ended 31 July 2012 complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of the company for the financial year ended 31 July 2012 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

Chartered Accountants

D K Swindells
Partner
Sydney

26 October 2012



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







