



GOWING BROS

2003

ANNUAL REPORT

GOWING BROS. LIMITED
EST 1868



GOWING BROS

GOWING BROS. LIMITED
ACN 000 010 471

*“In business you live or die by your reputation. We have put
great stock into building and maintaining ours through
trading honestly and professionally for over 135 years.*

Ethical business is good business”

JOHN GOWING 2003



G O W I N G B R O S

GOWING BROS. LIMITED
ACN 000 010 471

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MANAGING DIRECTOR'S
REVIEW OF OPERATIONS

On behalf of the Directors of Gowling Bros. Ltd, I am pleased to present the financial report for the year ended 31 July 2003.

This year has been the first full year of operations since the separate listing of Gowings Retail Ltd. The divestment has allowed the company to concentrate fully on building and developing the company's core business of investment and wealth management. I believe that the strong rise in the company's share price during the year can be directly attributed to the company's increased focus and the far more transparent communication strategy it has allowed us to develop.

FINANCIAL PERFORMANCE

Our operating profit after tax for the year was \$7.584 million compared with \$8.671 million in the previous year. This year's profit includes significant gains made from the sale of our Mona Vale land joint venture (\$3.125 million) and the sale of our share of the Philip St joint venture to our joint venture partner St Hilliers (\$1.281 million).

More importantly, the company delivered a real return to shareholders of 6.3%*, measured by the increase in net asset backing per share and dividends paid.

The Schedule on page 8 of this Annual Report sets out the market value of property and equity investments held by the company as at 31 July.

It also includes a calculation of market value per share of \$2.59, which compares very favourably with the corresponding value per share of \$2.43 (after adjustment for dividends paid) at the previous year end. This increase is the outcome of the company's continuing focus on its core business objective of growing aggregate underlying net asset value. It is the most appropriate measure of the company's financial performance in any given financial period.

Please note that the figures in the schedule reflect management's opinion of fair market value of property as at 31 July arrived at after consultation with real estate advisors, valuers and joint venture partners. The figures in this schedule are not audited.

* The calculation of the real return to shareholders is based on market values as shown in the schedule 'Gowling Bros. - At a Glance - Our Portfolio'.

THE YEAR IN REVIEW

The year saw a significant increase in underlying maintainable earnings from both our long term property management business and our investment management business. In fact the combined maintainable earnings before tax for both businesses increased 53% from \$3.173 million to \$4.861 million.

This strong result was underpinned by solid increases in dividend and like-for-like rental receipts, together with a keen focus on cost and overhead control. All members of the team deserve credit, particularly the accounts staff and the building manager.

During the year we entered into two new property joint ventures, formed the Gowings Property Partnership and established a presence in the emerging mezzanine finance loan market. More details of these and other developments are provided below.

1. The joint venture established by the company to purchase land on the plateau at Bayview Heights then subdivide and sell the 8 x 5 acre blocks has been very successful. The company's share in this project is expected to produce a return in excess of 25% pa on the funds invested.
2. The 74 lot subdivision in Kempsey on the New South Wales north coast purchased in February by the company and its joint venture partner has progressed well. A Development Consent for Stage 1 has been granted by Kempsey Council and subdivision works are well underway. Enquiry for individual allotments has been strong with 12 lots of the 30 lot Stage 1 already sold prior to completion of the subdivision works. The DA for the remaining 44 lots in Stage 2 has recently been submitted. Prices being achieved in the area have firmed significantly, even in the short period since acquisition, giving us great confidence that the development will prove very successful.
3. Gowings Property Partnership, our property development and management joint venture business, purchased a residential site in Oberon Street, Coogee on which we expect to build and market 9 luxury apartments, some with commanding north east views over Coogee Bay. The DA for this development has been lodged with Council.

- Since entering the mezzanine finance market in November, 2002 we have made three loans. Two loans were made during the year and one subsequent to year end. Total funds on loan now amount to \$5.065 million. Interest booked on loans made during the year was \$365,500. The average return per annum is much higher than normal market rates, reflecting the higher risks involved. We ensure that the risks are adequately balanced against security provided by the borrowers.

GOWINGS WHALE TRUST

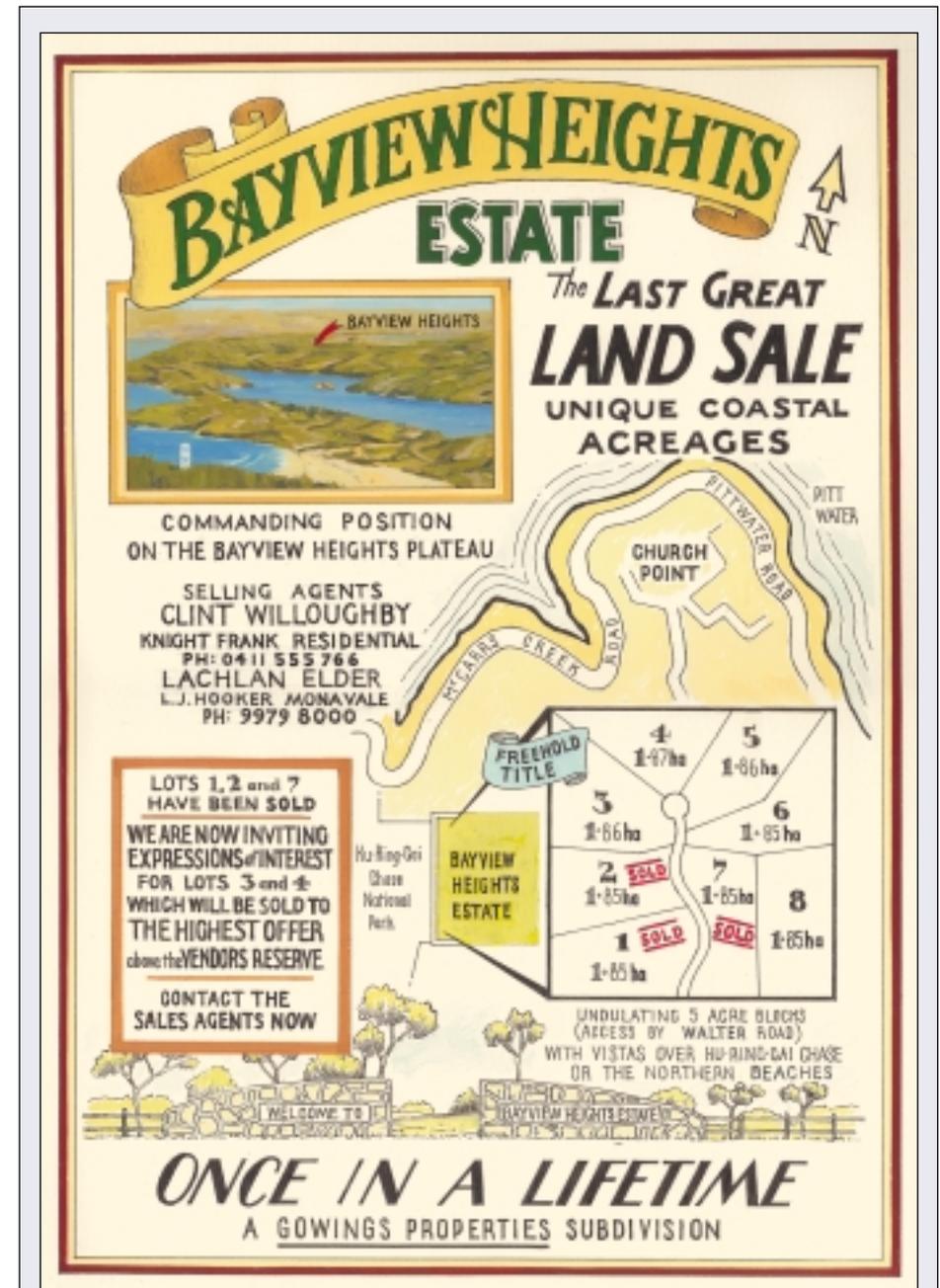
The Gowings Whale Trust project in association with the National Parks & Wildlife Service has now been funded and awaits delivery of the electronic tracking devices which will be used to study the humpback whales in their annual migration along the east coast of Australia.

OUTLOOK

As it stands, I believe our current portfolio, with a healthy balance between prime commercial properties, listed equities, private equity, property development projects and cash, places us in a very strong position to benefit from the economic turnaround currently being experienced, or, on the flip side, to be suitably defensive should there be an unexpected global setback.



John Gowing
Managing Director
26 September, 2003



BAYVIEW HEIGHTS ESTATE

The LAST GREAT LAND SALE
UNIQUE COASTAL ACREAGES

COMMANDING POSITION ON THE BAYVIEW HEIGHTS PLATEAU

SELLING AGENTS
CLINT WILLOUGHBY
KNIGHT FRANK RESIDENTIAL
PH: 0411 555 766
LACHLAN ELDER
L.J. HOOKER, MONVALE
PH: 9979 8000

LOTS 1, 2 and 7 HAVE BEEN SOLD
WE ARE NOW INVITING EXPRESSIONS OF INTEREST FOR LOTS 3 and 4 WHICH WILL BE SOLD TO THE HIGHEST OFFER above the VENDORS RESERVE.
CONTACT THE SALES AGENTS NOW

4 1.47ha	5 1.86ha
3 1.86ha	6 1.85ha
2 SOLD 1.85ha	7 SOLD 1.85ha
1 SOLD 1.85ha	8 1.85ha

UNDULATING 5 ACRE BLOCKS (ACCESS BY WALTER ROAD) WITH VISTAS OVER HU-RING-GAI CHASE OR THE NORTHERN BEACHES

ONCE IN A LIFETIME
A GOWINGS PROPERTIES SUBDIVISION

Full page advertisement published during the marketing of Bayview Heights Estate.

ABOUT GOWING BROS.

Gowing Bros. Limited is a boutique investment and wealth management company and was listed on the Australian Stock Exchange in 1932 (Code: GOW).

Gowing Bros. was originally founded in 1868 when John Gowing opened his first retail drapery store. Our history as a successful retail trader is well known and the Market Street store is considered to be an icon in Sydney's retail sector. We still own 35% of the separately listed Gowings Retail Limited, however that holding makes up just 3% of total assets.

We formally commenced our structured investment activities in 1953 when Edward Gowing (Ted) started an investment portfolio with £30,000. Indeed, the family had been informally investing since the 1920's when Preston Gowing (Ted's father) was one of the first investors in Woolworths.

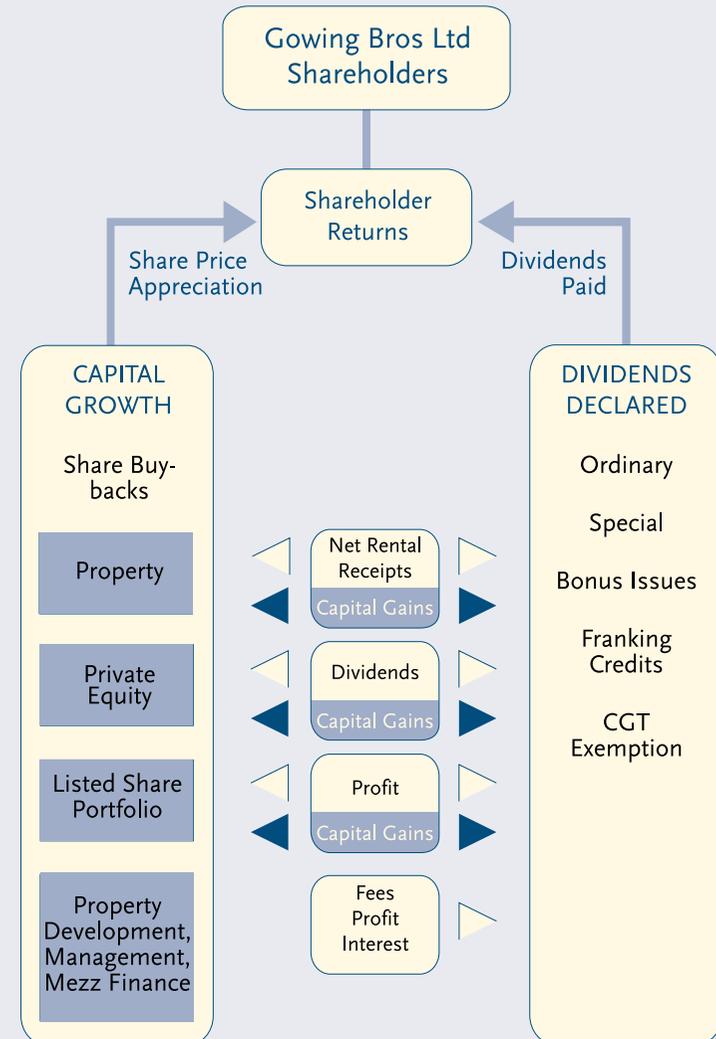
Ted Gowing's investment business quickly became successful due to his astute decision making aided by a large network of contacts. Today, John Gowing (Ted's son) has cemented our position as one of Australia's best performing wealth managers with a diversified investment portfolio worth in excess of \$130 million.

Following the separate listing of our retail business in 2001, our investment business now has a dedicated Board of Directors and management team. Management aims to provide safe and consistent long term returns. Investment decisions are made based on fundamental values and not on the current mood of the market.

Our investment portfolio has been selected for its income generating potential and its long term capital appreciation prospects balanced by a cautious approach to risk.

The portfolio mix between property and shares is continuously monitored and weighted against market cycles and forecasts. Individual investments are assessed based on strict risk and return parameters.

THE GOWING BROS. BUSINESS MODEL



GOWING BROS. AT A GLANCE

OUR PORTFOLIO

PROPERTY PORTFOLIO at market value

INVESTMENT PROPERTY

45 MARKET ST SYDNEY	
Market Value	\$50,000,000

70 NORTON ST LEICHHARDT

Market Value (50% share)	\$4,875,000
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SUBTOTAL INVESTMENT

PROPERTY	\$54,875,000
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DEVELOPMENT PROPERTY

Value	\$880,000
SUBTOTAL DEVELOPMENT	
PROPERTY	\$880,000

TOTAL PROPERTY PORTFOLIO

Total Value	\$55,755,000
Less Debt (Market St, Sydney) (\$15,000,000)	
Total Market Value	\$40,755,000

INVESTMENT PORTFOLIO at market value

LISTED EQUITIES

Market Value	\$52,188,000
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PRIVATE EQUITY INVESTMENTS

MIT IIIA	\$3,815,000
Crescent Capital Mgt	\$350,000
Crescent Capital Fund	\$1,751,000
Other/Balance	\$543,000

TOTAL	\$6,459,000
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NET INTEREST BEARING SECURITIES & OTHER RECEIVABLES

Value	\$5,407,000
Cash on hand	\$11,977,000

TOTAL INVESTMENT PORTFOLIO

Total Market Value	\$76,031,000
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TOTAL MARKET VALUE OF PROPERTY & INVESTMENT PORTFOLIO \$116,786,000

which equates to a **MARKET VALUE PER SHARE OF \$2.59***

* \$116.786m / 45,052,508

10 LARGEST EQUITY HOLDINGS

Westpac Banking Corporation	\$5,139,100
National Australia Bank	\$5,051,000
Washington H Soul Pattison	\$3,444,600
Gowings Retail	\$2,870,000
BHP Billiton	\$2,835,700
ANZ Banking Group	\$2,144,400
Carlton Investments Ltd	\$1,876,400
Alesco Corp	\$1,871,700
Hills Industries	\$1,854,300
Woolworths	\$1,852,600
Other holdings	\$23,248,200
TOTAL	\$52,188,000

RECONCILIATION OF MOVEMENT IN MARKET VALUE PER SHARE BETWEEN 31/7/02 & 31/7/03

Market Value per share at 31/7/02	\$2.53
Less dividend paid	\$0.10
Adjusted Value	\$2.43
Value at 31/7/03 (above)	\$2.59
Movement - increase	\$0.16

OUR TRACK RECORD

Our proven investment philosophy has generated a combination of dividend income and capital growth of 6.3% per annum over the past year:

We have been able to outperform the market due to having a diversified portfolio appropriately balanced between property, shares and cash. Our investment portfolio is continually re-weighted against the market outlook for each class of asset as can be seen from the changes in our historical portfolio mix below.

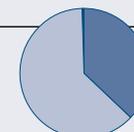
Approximately 90% of our investment portfolio is comprised of long term secure assets including commercial investment property, listed Australian equities and cash. The balance of our investments has been allocated to managed private equity and property development investments where we possess both the experience and skills to achieve higher than average market returns.

ASSET ALLOCATION



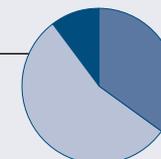
ASSETS 1983
\$20.2 million

50%	Property	\$10.10m
31%	Investment	\$6.24m
19%	Cash	\$3.86m
Dividends paid		
1974-1983		\$2.43m



ASSETS 1993
\$81.06 million

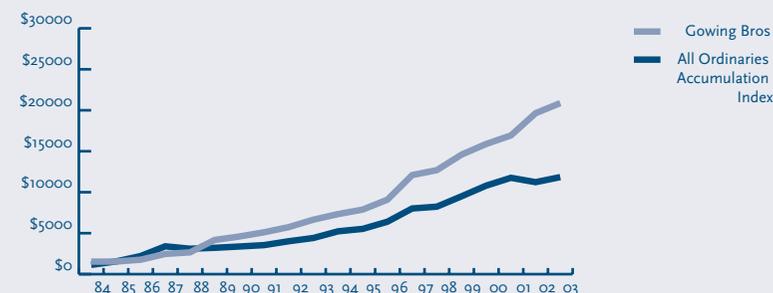
37%	Property	\$30.00m
62%	Investment	\$50.65m
1%	Cash	\$0.41m
Dividends paid		
1984-1993		\$13.36m



ASSETS 2003
\$116.79 million

35%	Property	\$40.76m
55%	Investment	\$64.05m
10%	Cash	\$11.98m
Dividends paid		
1994-2003		\$30.79m

COMPARATIVE GROWTH OF \$1,000



A PROVEN INVESTMENT PHILOSOPHY

FUNDAMENTAL VALUES

Our investment performance over the past 50 years has been achieved by maintaining an approach where investments are assessed against key underlying fundamental investment values. At times this approach has fallen out of fashion and new methodologies have found favour. Nevertheless our consistent and at times staid approach has provided to us the underlying driver of wealth creation for Gowing Bros. shareholders.

We believe that the true value of an investment lies in its ability to grow profits and in its income yield (dividends or rents as a percentage of the market price) measured against the cost of acquisition and our risk assessment criteria.

Some of our other key investment considerations include:

- Identifying investments (shares or property) that are either undervalued, are in growth areas or are existing investments that have continued to perform well.
- Understanding local and international trends at the economic and market level allowing us to identify growth markets.
- Undertaking our own research of companies supplemented by industry and independent research.
- Attending company and industry presentations and, where possible, meeting with management on site and reviewing operations. An essential component of our investment decision is ensuring that the investee company has good management. We also place a strong emphasis on understanding a company's business model and the fundamentals of how it makes its money and how it intends to grow in the future.

We retain our investments for the long term or until such time as they are either significantly overvalued or their long term future becomes uncertain. Indeed, a number of our investment holdings enjoy 'pre' capital gains tax status, being a testament to our philosophy of making quality investments for the long term.

DIVIDENDS

As an investor in many companies, we recognise that shareholders value dividends and, accordingly, we have succeeded in paying dividends every year since incorporation.

Ordinary dividends – are paid from our stable sources of income including rental and dividend receipts.

Special dividends – are paid from the capital profit on the realisation of assets to the extent that the proceeds are in excess of our capital growth requirements. In particular, special dividends arise from successful private equity and property development investments. Additionally, where possible, they are paid from eligible capital gains to allow our shareholders to benefit from the 50% capital gains tax exemption for ATO classified listed investment companies.

Proactive capital management – we have also made bonus issues and undertaken share buybacks on a number of occasions to complement our dividend policy.

CAPITAL GROWTH

Proceeds from the sale of our investments are generally reinvested, ensuring that our asset base continues to grow and drive our future dividend streams.

THE HIGHEST OF STANDARDS

Our Board and executive management is comprised of a rich mix of individuals whose skills and experience reflect the nature of our investment business. Individually, they are all astute and skilled in business and together they strategically guide Gowing Bros. to ensure that the Company maintains the highest industry, professional and ethical standards.

THE BENEFITS OF INVESTING IN GOWING BROS.

1. DIVERSIFICATION

Investors gain exposure to a range of underlying assets through a single investment, thereby reducing the investment risk of 'putting all of their eggs in one basket'.

2. COMPELLING TRACK RECORD

We have outperformed the market average over the past one, five, ten and twenty year periods – refer page 9.

3. STRONG FINANCIAL POSITION

Gowing Bros. has over \$130 million in total assets under management.

4. 'VALUE FOR MONEY' INVESTMENT

As at the time of writing, Gowings Bros. Limited had a market capitalisation of \$106 million representing a 9.4% discount to its net tangible assets of \$117 million.

5. MOTIVATED DIRECTORS AND MANAGEMENT

Directors and management are shareholders, providing a strong incentive to strive to maximise shareholder returns.

6. CAPITAL APPRECIATION

As the value of our net assets rises over time, it can be expected that the market price of our shares will rise as well.

7. CONSISTENT RETURNS

We have paid dividends every year since inception including numerous special dividends and bonus issues and have achieved consistent growth in our capital base.

8. FULLY FRANKED DIVIDENDS

Our dividends are generally paid fully franked, reducing the amount of tax payable by shareholders on income earned.

9. SPECIAL DIVIDENDS

A feature of our shareholders' returns has been the payment of special dividends in addition to our ordinary dividends.

10. TAXATION ADVANTAGES

For taxation purposes, we are classified as a Listed Investment Company (LIC), which allows us to pass on CGT tax concessions to shareholders.

10. TAXATION ADVANTAGES (continued)

Individuals, trusts and partnerships may be entitled to claim a 50% deduction for the LIC capital gain component of dividends received. Complying superannuation funds and life insurance companies may be entitled to a 33.3% deduction of the LIC capital gain dividends received.

A LIC capital gain is essentially a taxable capital gain that would qualify as a 'discount' capital gain if Gowing Bros. were an individual (ie capital gains on assets held for more than 12 months).

11. DIVIDEND REINVESTMENT PLAN (DRP) AND BONUS IN LIEU PLAN (BIL)

Gowing Bros. offers a DRP/BIL allowing shareholders to acquire shares without any transaction costs.

12. SHARE BUY-BACKS

If we cannot find opportunities in which to invest our surplus capital then a better use of our money is to buy back our own shares. Higher earnings per share may lead to an increase in the price of a company's shares. As at the time of writing, the Company is currently undertaking an on-market buy-back scheme as part of its strategy to increase shareholder returns.

13. STRONG NETWORK OF ALLIANCES

A presence in the broader Australian business and investment community for 135 years has given us a valuable network of alliances. We gain entry to the management of our investee companies and are often approached to participate in investments prior to or at the initial public offering stage. We personally know many of the directors of our investee companies and, indeed, their founders.

14. TRANSPARENCY IN MANAGED INVESTMENT

Since the spin-off of the retail operations, the Directors have endeavoured to increase the transparency and regularity of reporting within the context of the new ASX disclosure guidelines.

15. A LOW COST INVESTMENT

On average, we incur a relatively low rate of management expense compared with similar products.

'BUNYA PINES ESTATE'
A GOWINGS PROPERTIES JOINT VENTURE



The 100 year old Bunya Pines will form a cul-de-sac park for the Estate.



Roadworks and services for Stage 1 are well underway.

Bunya Pines Estate

Town & Country Living

LANDSCAPED RURAL STYLE RESIDENTIAL ESTATE

STAGE 1 - NOW SELLING
Priced from **\$72,500**

- ◆ Minutes from town centre
- ◆ All modern amenities & services
- ◆ Affordable house & land packages
- ◆ Generous blocks from 600m² up to 8 ha.
- ◆ Parkland featuring 100 year old Bunya Pines
- ◆ All blocks have rural outlook
- ◆ Well drained, easy building blocks
- ◆ Available November, 2003
- ◆ House & land packages available February 2004
- ◆ One entrance for security
- ◆ No drive through - minimum traffic
- ◆ Great value, position, opportunity

EXCLUSIVE SELLING AGENTS:

Raine & Horne Kempsey

50 SMITH STREET, KEMPSEY, N.S.W.
Telephone: 02 6562-7122 • Fax: 02 6562-6712 • A.H. 0407 299 254

Bunya Pines Estate
Town & Country Living

A Gowings Properties & McEvoy Constructions Subdivision

- ◆ 20 minutes to South West Rocks: Beaches, historic town.
- ◆ 20 minutes to Hat Head: Creek, beaches, National Park.
- ◆ 20 minutes to Crescent Head: Surfing, beaches.

LOOKING FORWARD

When identifying new investments, we primarily look for assets that are either undervalued or are in growth areas.

OUTLOOK

During the past twelve months we have been able to snap up some excellent undervalued stocks. The economic outlook both locally and globally has since improved and there are definite signs of a turnaround in major overseas economies. This improvement has underpinned a rise in stock prices generally across our portfolio. We no longer consider the current investment climate to be a buyer's market.

We have now shifted our focus back from trying to identify undervalued stocks to looking for companies in growth areas. As our investments continue to appreciate and mature we will look to balance our portfolio towards those companies whose long term future has strong growth prospects. Aside from the current well known trends such as Australia's aging population, the property boom and other economic variables, we see new trends coming into play such as the increased emphasis on lifestyle, outdoor and recreational pursuits. It is these emerging trends that we like to identify early and be well positioned in before the rest of the herd ventures in.

NEW INITIATIVES

Over the course of the next twelve months, some of the new initiatives that we will be implementing include:

THE GOWING'S GUIDE

The Gowing's Guide is a publication that will be released to further inform shareholders and potential investors about our investment and wealth management business.

A QUARTERLY INVESTOR NEWSLETTER

The company is currently considering initiating the publication of an investor newsletter, to keep investors well informed on a timely basis about the company and matters of interest to it.

THE GOWING BROS' WEBSITE

The www.gowingbros.com website will be launched as part of our endeavour to create more convenient and transparent communication with shareholders. It will serve as a central source of all of the information released by the company including; company announcements, annual reports, shareholder newsletters, the Gowing's Guide, company profile and our heritage.

THE GOWINGS PROPERTY PARTNERSHIP

As noted earlier, Gowing Bros. formed the Gowings Property Partnership in late 2002 to create a property development company focused on maximising risk-weighted returns.

Gowings Property Partnership has already successfully secured its first project in Coogee, and has recently lodged a development application to construct 9 luxury apartments, the building of which is estimated to commence in early 2004 and be completed in 18 months.

Gowings Property Partnership is also currently evaluating a number of other development opportunities as it seeks its second project. We are being patient, careful and risk averse in this endeavour having regard to the current stage of the property market cycle.

CORPORATE GOVERNANCE CHARTER

We are firmly of the view that the operations of the company already broadly comply with the ASX 'Principles of Good Corporate Governance'. However, we are mindful that improvements can always be made and will be undertaking a more detailed review of our current practices.

In so doing, we will be seeking to ensure that Gowing Bros. continues to be managed in an innovative and entrepreneurial manner as well as in accordance with the highest standards of ethical conduct.

On 31 March 2003, the Australian Stock Exchange (ASX) Corporate Governance Council released Principles of Good Corporate Governance and Best Practice Recommendations.

Whilst Gowing Bros. will be formally required to comply with these new standards for the year ending 31 July 2004, we already broadly comply either formally or informally with the majority of the ASX recommendations.

Whilst we share the commitment of the ASX to improve the standard of corporate governance in Australia, we believe that good corporate governance will not be achieved simply by following prescriptive rules that impose a 'one size fits all' requirement to comply.

Good corporate governance should allow companies to be innovative and entrepreneurial so that they can create wealth for shareholders whilst maintaining standards to ensure that inappropriate behaviours do not occur.

We believe that the primary focus of good corporate governance should be clearly fixed upon the achievement of outstanding performance in an ethical manner where high quality outcomes are achieved and where integrity is clearly evident.

The Board's role is to create the conditions for this to occur.



Northern facade with views over Coogee Bay



Southern facade viewed from Oberon St

BOARD OF DIRECTORS
AND MANAGEMENT

Gowing Bros.' Directors are shareholders in the Company, which ensures that their interests are aligned with those of other shareholders.

Tony Salier Bachelor of Arts, LL.B, LL.M (Harvard)

Chairman

Tony has been a Director of Gowing Bros. since 1974 and Chairman since 1995. Tony's association with the Gowing family and Gowing Bros. extends back over 30 years during which time Tony has witnessed and participated in the remarkable growth of the Company under the helm of Ted Gowing and John Gowing.

Tony is a senior partner in Pigott Stinson Ratner Thom, a long established Sydney law firm. Tony has practised corporate law for 35 years and has advised major local and overseas corporations. Tony was for many years the examiner in company law for the Barristers and Solicitors Admission Board.

Tony is also a director of various philanthropic foundations and trusts with assets exceeding \$50 million.

John Gowing Bachelor of Commerce, ACA, CPA

Managing Director

John has continued the tradition of success at Gowing Bros. during his sixteen years at the helm. John is also the Chairman of Gowings Retail Limited.

John is only the fourth Managing Director of Gowing Bros. Limited in 135 years. John's business and investment skills were nurtured from 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 particularly skilled at understanding the investment market and identifying opportunities and is well-suited to create a bold future for Gowing Bros.

John's finance and business skills were also grounded in his past employment with Ord Minnett stockbrokers and Arthur Young chartered accountants.

Michael Alscher Bachelor of Commerce

Non-executive Director

Michael has served as a non-executive director since 2000. Michael is familiar with the Gowing Bros. business philosophy having worked as the Chief Operating Officer with the Company between 1997 and 2000.

Michael is the founding Executive Director of Crescent Capital partners, a \$25m development capital fund established in 2001. Michael is also a Director of York Corporate Advisory specialising in mergers and acquisitions, initial public offerings and restructuring.

Prior to joining Gowing Bros. Michael worked as a strategy consultant with Bain International, a leading strategy consultancy firm in the USA and with the L/E/K Partnership in the UK. Michael also worked as an associate director with the Chase Manhattan Bank.

John Parker Bachelor of Economics

Non-executive Director

John has served as a non-executive Director since January 2002. John is a Principal and an executive Director of Saltbush Capital, a niche funds management incubator and advisory firm.

John brings considerable experience to the Board with over twenty years of equities research and funds management experience. After spending four years in funds management, he joined Martin & Co in South Africa as a research analyst. He subsequently joined Ord Minnett (now JP Morgan) in London before moving to Sydney. In Sydney John joined County Natwest Securities (now Citigroup Smith Barney) in 1991. He was a Director from 1995 to 2001 and a top rated analyst servicing institutional investors.

Stephen Byers

Bachelor of Commerce, LL.B

Executive Officer – Property Division and Company Secretary

Stephen has been an integral part of the Gowing's executive management team in various roles over the past ten years at both a strategic and operational level. Stephen has been instrumental in growing the Company's property development and management activities as a core business.

Stephen also provides in-house legal counsel for the Group and previously practised for five years in commercial and property law.

Lyn-Maree Sharpe

Bachelor of Economics, CPA

Finance Manager

Lyn-Maree joined Gowing Bros. in 2003 and oversees the general financial management of the Group.

Prior to joining Gowing Bros, Lyn-Maree was a Senior Executive in KPMG Real Estate Services and worked on financial modelling and feasibility analysis for clients. Lyn-Maree has also worked for Industrial Equity Limited and CSR Limited in a variety of senior roles involving consolidated financial reporting, forecasting, currency hedging and futures trading.

Mark Steglick

Bachelor of Economics, MCom, MBA (AGSM)

Gowings Property Partnership – Executive Director

Mark established Gowings Property Partnership in October 2002 as a property development partnership between Gowing Bros. and Stegland Pty Limited.

Prior to joining Gowings Property Partnership Mark was the Advisory Manager for CRI Australia and managed over \$2 billion of property investments and developments. Prior to this, Mark was a Project Director for CDH Properties (now KPMG Real Estate Services).

Mark was also previously the Manager of Research and Policy for the Property Council of Australia, which is Australia's premier property industry body.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2003

Your Directors present their report on the consolidated entity consisting of Gowing Bros. Limited and the entities it controlled at the end of or during the year ended 31 July 2003.

Consolidated Results

	2003 \$'000	2002 \$'000
Operating profit for the year before income tax	8,462	9,943
Income tax expense	(879)	(1,272)
Operating profit after income tax	7,583	8,671

Dividends

A final dividend of 3.5 cents per share is payable on 24 October 2003 \$1,576,838

An interim dividend of 3.0 cents per share was paid to shareholders on 24 April 2003 adjusted for shareholder participation in the Bonus in Lieu Share Plan. \$1,351,649

A special LIC capital gain dividend of 3.5 cents per share was paid to shareholders on 18 December 2002 adjusted for shareholder participation in the Bonus in Lieu Share Plan. \$1,568,693

A final dividend of 3.5 cents per share was paid to shareholders during the financial year in accordance with last year's annual report adjusted for shareholder participation in the Bonus in Lieu Share Plan. \$1,563,304

All dividends paid were fully franked.

Review of Operations

The operations of the consolidated entity are reviewed in the Managing Director's Report on Pages 2 to 4.

Environment

Gowings is committed to a policy of environmental responsibility in all its business dealings.

This policy ensures that when the company can either directly or indirectly influence decisions which impact upon the environment, that influence is used responsibly.

Gowings has established the Gowings Whale Trust, a trust devoted to raising funds to foster research that will lead to a healthier environment for whales and other sea creatures.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2003

Information on Directors

The following persons were directors of Gowing Bros. Limited either during or since the end of the year.

	Directors' Interests in Shares and Options of Gowing Bros. Limited	
	Shares	Options
W. A. Salier - Chairman		
Non-executive		
Bachelor of Arts, LL.B., LL.M. (Harvard)		
Director since 1975		
Member of the Audit Committee		
Mr. Salier is a solicitor with thirty-seven years experience	44,251	-
J. E. Gowing - Managing Director		
Executive		
Bachelor of Commerce		
Member of The Institute of Chartered Accountants in Australia		
Member of CPA Australia		
Director since 1983	8,462,002	-
M. T. Alscher		
Non-executive		
Bachelor of Commerce		
Director since 2000		
Mr. Alscher is an executive director of a venture capital company and former Chief Operating Officer of the company	225,635	-
J. G. Parker		
Non-executive		
Bachelor of Economics		
Director since 2002		
Mr. Parker is an executive director of a corporate advisory firm specialising in private equity.	40,000	-

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2003

Remuneration of Directors and Senior Executives

Remuneration of Directors and Senior Executives is determined annually by the Board, based on market conditions and company performance.

Remuneration during the year ended 31 July 2003 was as follows:

(a) Non-executive Directors

	Directors Fees \$
W. A. Salier	40,000
M. T. Alscher	30,000
J. G. Parker	30,000

	Base Pay (i) \$	Other Compensation (ii) \$	Total Compensation \$
(b) Executive Director			
J. E. Gowing	316,683	44,111	360,794

(c) Other Executives of Gowing Bros. Limited and the Consolidated Entity

J. S. Byers	246,490	18,841	265,331
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(i) Base Pay is calculated on a Total Cost basis and includes any FBT charges related to employee benefits, including motor vehicles.

(ii) Other Compensation includes, where applicable, superannuation, car parking (including FBT) and other payments.

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, prime commercial properties, 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 in this financial year.

Matters Subsequent to the End of the Financial Year

Since 31 July 2003 and to the date of this report no matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2003

Meetings of Directors

There were 14 Directors' meetings and 2 meetings of the Audit Committee during the year. Attendance by each Director of the company during the financial year was:

	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
W. A. Salier	14	13	2	2
J. E. Gowing	14	14	n/a	n/a
M. T. Alscher	14	12	-*	-*
J. G. Parker	14	14	2	2

* M. T. Alscher was appointed to the Audit Committee on 19 June 2003.

Shares Under Option

Unissued shares of Gowing Bros. Limited under option at the date of this report are:

Date Option Granted	Expiry Date	Issue Price of Shares \$	Number Under Option
7 June 1999	6 June 2004	1.90	30,000
11 November 1999	10 November 2004	1.95	117,000
			147,000

No option holder has the right to participate in any other share issue of the company or of any other entity.

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2003

Likely Developments and Expected Results of Operations

Further information on likely developments in the operations of the consolidated entity is included in the 'Looking Forward' section on pages 16 - 17.

Directors' and Officers' Indemnification

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.

Rounding of Amounts to Nearest Thousand Dollars

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off in accordance with that Class Order or, in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Directors of Gowing Bros. Limited.

W. A. SALIER

Director

J. E. GOWING

Director

Sydney,

26 September, 2003

AUSTRALIAN STOCK EXCHANGE LISTING REQUIREMENTS

YEAR ENDED 31 JULY 2003

1. Shareholders at 8 September 2003

Range of shares	Number of Shareholders
1-1,000 Shares	424
1,001-5,000 Shares	905
5,001-10,000 Shares	273
10,001-100,000 Shares	331
Over 100,000 Shares	41
	1,974

The number of shareholdings held in less than marketable parcels is 182.

2. Voting Rights

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

3. Substantial Shareholders at 8 September 2003

The substantial shareholders as defined by Section 708 of the Corporations Act 2001 are:

Edward John Gowing	14,122,670	Ordinary Shares
John Edward Gowing	8,462,002	Ordinary Shares
Carlton Hotel Limited	4,273,768	Ordinary Shares
Mollie Gowing	3,998,452	Ordinary Shares

4. Nomination of Directors

The closing date for the receipt of nominations for the office of Director must be at least forty clear days before the meeting, provided that in the case of a person recommended by the Directors for election, fifteen clear days notice only shall be necessary.

AUSTRALIAN STOCK EXCHANGE LISTING REQUIREMENTS

YEAR ENDED 31 JULY 2003

5. Top Twenty Equity Security Holders at 8 September 2003

In accordance with Australian Stock Exchange Listing Rule 4.10, the top twenty equity security holders at 8 September 2003 were as follows:

	Nº. of Ordinary Shares	% of Issued Shares
1. Edward John Gowing	7,289,847	16.18
2. Warwick Pty Limited	4,809,952	10.68
3. Carlton Hotel Limited	4,273,768	9.49
4. Woodside Pty Limited	2,022,871	4.49
5. Mollie Gowing	1,774,756	3.94
6. RBC Global Services Australia	1,479,425	3.28
7. Dandeloo Pty Limited	1,178,614	2.62
8. Appleby Pty Limited	1,045,082	2.32
9. John Edward Gowing	960,456	2.13
10. T N Phillips Investments Pty Limited	610,077	1.35
11. Enbear Pty Limited	578,936	1.29
12. Jean Kathleen Poole-Williamson	509,348	1.13
13. Audley Investments Pty Ltd	366,574	0.81
14. Fijolin Pty Limited	350,000	0.78
15. JS Millner Holdings Pty Limited	304,935	0.68
16. Frejo Investments Pty Limited	291,772	0.65
17. Washington H. Soul Pattinson & Co. Limited	277,736	0.62
18. J P Morgan Nominees Australia	221,825	0.49
19. Cranley Holdings Pty Limited	211,112	0.47
20. Jepad Pty Limited	194,992	0.43
Total	28,752,078	63.83
Total Issued Share Capital	45,052,508	100.00

AUSTRALIAN STOCK EXCHANGE LISTING REQUIREMENTS

YEAR ENDED 31 JULY 2003

6. Corporate Governance Practices

Gowing Bros. Limited has over time consistently adopted realistic Corporate Governance Practices which are appropriate to the size and nature of the business. The Directors are responsible for ensuring that all of the business of the company is conducted with the utmost integrity and objectivity in order to enhance the reputation and performance of the company.

The Board consists of four Directors, being three independent non-executive Directors (including the Chairman), and one executive Director. In accordance with the Constitution, at least one-third of the Directors, other than the Managing Director, retire from office at the Annual General Meeting each year. Such retiring Directors may be eligible for re-election. When a vacancy exists, the full Board identifies candidates with appropriate expertise and experience and appoints the most suitable candidate, who must stand for election at the following Annual General Meeting.

To assist in fulfilling its responsibilities the Board has established an Audit Committee. The simplicity and straightforward nature of the company enables the Board, as a whole, to consider all other functions that may be delegated to committees by larger companies, in the normal course of its duties. In this regard the Board meets at least once a month and more frequently as required.

The Board aims to ensure that shareholders are informed of all major developments affecting the company, via the annual report, half-yearly report, announcements to the Australian Stock Exchange and direct communication with shareholders as appropriate. Ultimately shareholders, through the democratic voting structure of the company, have the right to hold Directors accountable for the direction, performance and reputation of the company.

Audit Committee

The Audit Committee consists of three non-executive Directors, Messrs. W. A. Salier, J. G. Parker and M. T. Alscher. The Committee reviews the company's and controlled entities' financial statements, reviews the scope of activity of the external auditors and provides a direct line of communication between Directors and external auditors.

STATEMENTS OF FINANCIAL PERFORMANCE

YEAR ENDED 31 JULY 2003

	Notes	Consolidated		Parent Entity	
		2003 S'000	2002 S'000	2003 S'000	2002 S'000
Revenue from ordinary activities	3	22,242	46,664	18,574	31,308
Cost of goods sold		-	(4,171)	-	(4,171)
Cost of investments sold		(10,418)	(5,627)	(10,418)	(5,627)
Cost of property sold		(2,427)	(12,294)	-	-
Cost of business division sold		-	(4,622)	-	(4,622)
Employee expenses		(1,029)	(2,461)	(1,029)	(2,461)
Indirect expenses		(1,822)	(5,646)	(1,738)	(5,528)
Borrowing costs expense	4(a)	(863)	(954)	(862)	(908)
Depreciation and amortisation expenses	4(a)	(308)	(1,338)	(308)	(1,316)
Share of net profits of associates accounted for using the equity method	39	3,087	392	-	-
Profit from ordinary activities before income tax expense		8,462	9,943	4,219	6,675
Income tax expense	5	(879)	(1,272)	(220)	(730)
Net profit		7,583	8,671	3,999	5,945
Net loss attributable to outside equity interest	1	-	-	-	-
Net profit attributable to members of Gowing Bros. Limited	29(b)	7,584	8,671	3,999	5,945
Net increase (decrease) in asset revaluation reserve	29(a)	-	(3,226)	-	(3,226)
Total changes in equity other than those resulting from transactions with owners as owners		7,584	5,445	3,999	2,719
Basic earnings per share	44	16.88c	19.53c		
Diluted earnings per share	44	16.88c	19.53c		

The above statements of financial performance should be read in conjunction with accompanying notes.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 JULY 2003

	Notes	Consolidated		Parent Entity	
		2003 S'000	2002 S'000	2003 S'000	2002 S'000
Current Assets					
Cash assets	7	11,977	12,948	11,966	12,912
Receivables	8	634	1,100	424	833
Investment loans	9	3,530	-	3,793	-
Tax assets	10	-	-	283	-
Other	11	489	335	489	335
Total Current Assets		16,630	14,383	16,955	14,080
Non-Current Assets					
Receivables	12	649	459	3,103	4,129
Investments accounted for using the equity method	13(a)	8,865	5,678	-	-
Other financial assets	13(b)	33,160	33,159	38,548	38,445
Investment loans	14	2,435	-	2,435	-
Development properties	15	293	-	-	-
Investment properties	16	49,953	54,821	47,091	47,561
Plant and equipment	17	2,805	2,881	2,805	2,881
Tax assets	18	264	417	264	417
Other	19	55	80	55	80
Total Non-Current Assets		98,479	97,495	94,301	93,513
Total Assets		115,109	111,878	111,256	107,593
Current Liabilities					
Payables	20	3,718	1,282	3,716	1,217
Interest bearing liabilities	21	5,578	611	5,550	611
Tax liabilities	22	301	560	-	7
Provisions	23	26	22	26	22
Total Current Liabilities		9,623	2,475	9,292	1,857
Non-Current Liabilities					
Payables	24	-	-	6,278	5,094
Interest bearing liabilities	25	10,973	19,016	10,973	16,471
Tax liabilities	26	464	97	464	97
Provisions	27	56	53	56	53
Total Non-Current Liabilities		11,493	19,166	17,771	21,715
Total Liabilities		21,116	21,641	27,063	23,572
Net Assets		93,993	90,237	84,193	84,021
Equity					
Parent entity interest					
Contributed equity	28(a)	7,261	7,007	7,261	7,007
Reserves	29(a)	68,645	68,791	68,645	68,645
Retained profits	29(b)	18,088	14,439	8,287	8,369
Total parent entity interest		93,994	90,237	84,193	84,021
Outside equity interest in controlled entities	30	(1)	-	-	-
Total Equity	31	93,993	90,237	84,193	84,021

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

YEAR ENDED 31 JULY 2003

Notes	Consolidated		Parent Entity	
	2003 S'000	2002 S'000	2003 S'000	2002 S'000
Cash Flows From Operating Activities				
Receipts from customers (inclusive of GST)	5,852	32,353	5,554	22,210
Payments to suppliers and employees (inclusive of GST)	(3,698)	(29,347)	(3,814)	(7,786)
Dividends received	2,033	1,487	2,683	1,487
Interest received	419	1,108	419	1,108
Borrowing costs	(840)	(954)	(838)	(954)
Income taxes paid	(617)	-	291	-
Net Cash Inflows (Outflows) From Operating Activities	42	3,149	4,295	16,065
Cash Flows From Investing Activities				
Payments for purchases of plant and equipment	(244)	(3,128)	(244)	(1,958)
Payments for purchases of equity investments	(10,373)	(10,695)	(10,375)	(10,695)
Loans repaid by other entities	689	-	653	-
Proceeds from sale of property	6,365	14,560	-	-
Payment for purchase of property	(575)	-	(282)	-
Proceeds from sale of retail division	6	2,000	-	2,000
Loans to other entities	(5,965)	-	(6,228)	-
Payment for investment in joint venture	(336)	-	-	-
Proceeds from sale of equity investments	10,449	5,628	10,449	5,628
Net Cash Inflows (Outflows) From Investing Activities	10	8,365	(6,027)	(5,025)
Cash Flows From Financing Activities				
Proceeds from subsidiary share issue	1	-	-	-
Proceeds from borrowings	2,927	4,472	5,299	6,053
Payments for shares bought back	(641)	(156)	(641)	(156)
Repayment of lease liabilities	(588)	(588)	(588)	(588)
Repayment of borrowings	(2,545)	(427)	-	-
Dividends paid	(3,186)	(2,508)	(3,186)	(2,508)
Net Cash Inflows (Outflows) From Financing Activities	(4,032)	793	884	2,801
Net Increase (Decrease) in Cash Held	(873)	13,805	(848)	13,841
Cash at the beginning of the financial year	12,789	(1,016)	12,753	(1,088)
Cash at the End of the Financial Year	7	11,916	11,905	12,753
Non-cash financing activities	43			

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Gowing Bros. Limited ("company" or "parent entity") as at 31 July 2003 and the results of all controlled entities for the year then ended. Gowing Bros. Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

Investments in associates are accounted for in the consolidated financial statements using the equity method if the effect of not doing so is material. Under this method, the consolidated entity's share of the profits or losses of associates is recognised as revenue in the consolidated statement of financial performance, and its share of movements in reserves is recognised in consolidated reserves. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

Investments in joint ventures are accounted for as set out in note 40.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(c) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(d) Revenue Recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Long Term Investments

Dividend income is recognised when receivable.

(ii) Property Rental

Rental income is recognised in accordance with the underlying rental agreements.

(iii) Land Development and Sale

Revenue is recognised when there is a signed unconditional contract of sale.

(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.

(e) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 90 days from recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(f) Land Held For Resale / Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, and development and borrowing costs during development. After development is completed borrowing costs and other holding charges are expensed as incurred. Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

(g) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. When determining recoverable amounts future cashflows are not discounted.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(h) Investments**

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost, and dividend income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(a).

The interest in a joint venture is accounted for as set out in note 40.

(i) Depreciation of Plant and Equipment

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of plant and equipment (excluding land and investment properties) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment	5% to 27% (straight line)
Motor vehicles	15% (straight line)

(j) Leasehold Improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

(k) Leased Non-Current Assets

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised and are included in the statement of financial position under investment properties. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

(l) Investment properties

Investment properties are initially recorded at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the entity.

Investment properties are maintained at a high standard and, as permitted by accounting standards, the properties are not depreciated.

(m) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the consolidated entity 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(n) Interest Bearing Liabilities**

Bills payable are carried at their principal amounts. Discounts on bills are recorded as part of other creditors, and recognised as expenses over the term of the bills.

(o) 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.

(p) Derivative Financial Instruments

The consolidated entity enters into interest rate swap agreements.

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in deferred expenditure or other creditors at each reporting date.

(q) Joint Venture Operation

The proportionate interest in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

(r) Employee Entitlements**(i) Wages, Salaries and Annual Leave**

Liabilities for wages, salaries and annual leave are recognised, 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.

(s) 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 - refer note 1(f).

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;
- Amortisation of discounts or premiums relating to borrowings;
- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- Finance lease charges.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(t) Cash**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

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.

(u) Earnings Per Share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(v) 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.

2. SEGMENT INFORMATION**Business segments**

The consolidated entity is organised into the following divisions by product and service type:

Retail operations

The parent sold the retail division to a subsidiary on 5 November 2001. The investment in the subsidiary was subsequently sold down. The parent entity has retained a substantial investment in the former subsidiary and accounts for the investment using the equity method. The investment in the former subsidiary is included in the investment segment.

Property operations

The property segment includes the ownership and leasing of commercial properties and the development and sale of both residential and commercial properties.

Investments

The investment segment invests in products listed on the Australian Stock Exchange, in private equity vehicles, and loans, including mezzanine finance arrangements.

Geographical segments

The consolidated entity operates only in Australia.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Retail Operations \$'000	Property Operations \$'000	Investments \$'000	Intersegment Eliminations \$'000	Consoli- dated \$'000
2. SEGMENT INFORMATION (continued)					
Business Segments - 2003					
Revenue from outside the consolidated entity	-	8,273	13,969	-	22,242
Intersegment revenue	-	42	-	(42)	-
Total revenue	-	8,315	13,969	(42)	22,242
Share of net profits of associates	-	3,057	30	-	3,087
Total segment revenue	-	11,372	13,999	(42)	25,329
Segment result	-	5,948	2,514	-	8,462
Income tax expense					(879)
Net profit					7,583
Segment assets	-	56,704	58,141	-	114,845
Unallocated assets					264
Total assets					115,109
Segment liabilities	-	17,193	3,158	-	20,351
Unallocated liabilities					765
Total liabilities					21,116
Investments in associates (note c)	-	3,157	5,708	-	8,865
Acquisition of property, plant and equipment, & other non-current segment assets	-	801	10,438	-	11,239
Depreciation and amortisation expense	-	274	34	-	308
Profit on sale of property	-	1,597	-	-	1,597

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Retail Operations* \$'000	Property Operations \$'000	Investments \$'000	Intersegment Eliminations \$'000	Consoli- dated \$'000
2. SEGMENT INFORMATION (continued)					
Business Segments - 2002					
Revenue from outside the consolidated entity	7,167	18,600	20,897	-	46,664
Intersegment revenue	-	599	-	(599)	-
Total revenue	7,167	19,199	20,897	(599)	46,664
Share of net profits of associate	-	-	392	-	392
Total segment revenue	7,167	19,199	21,289	(599)	47,056
Segment result	(162)	3,004	7,101	-	9,943
Income tax expense					(1,272)
Net profit					8,671
Segment assets	-	54,182	57,279	-	111,461
Unallocated assets					417
Total assets					111,878
Segment liabilities	-	20,645	338	-	20,983
Unallocated liabilities					658
Total Liabilities					21,641
Investments in associates (note c)	-	-	5,678	-	5,678
Acquisition of property, plant and equipment, & other non-current segment assets	-	3,128	10,695	-	13,823
Depreciation and amortisation expense	57	1,281	-	-	1,338
Profit on sale of property	-	2,266	-	-	2,266
Profit on sale of retail division	-	-	3,109	-	3,109

* Includes the results for Retail Operations for the period to 5 November 2001.

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and accounting standard AASB 1005: Segment Reporting.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

2. SEGMENT INFORMATION (continued)

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

(b) Intersegment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's -length" basis and are eliminated on consolidation.

(c) Equity accounted investments

The consolidated entity owns 35% of Gowings Retail Limited, a retail company which is accounted for using the equity method and is allocated to the investment segment. Until 5 November 2001 the consolidated entity owned 100% of the business now operated by Gowings Retail Limited. The results of the business until 5 November 2001 are included in the retail segment for 2002.

The consolidated entity also has two non-traded investments in associates that are accounted for using the equity method. These investments, Bayview Heights Estate Pty Limited and Healesville Holdings Pty Limited, are included in the property segment.

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
3. REVENUE				
Revenue From Operating Activities				
Sale of goods	-	7,167	-	7,167
Proceeds on sale of long term investments	10,449	7,628	10,449	7,628
Proceeds on sale of property	4,024	14,560	-	-
Interest	944	-	944	-
Dividends	2,106	1,487	2,756	1,487
Rent	3,503	4,034	3,493	3,665
Other investment income	811	1,108	527	749
Other property income	364	422	364	354
Other income	41	38	41	38
	22,242	36,444	18,574	21,088

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
3. REVENUE (continued)				
Revenue From Outside the Operating Activities				
Proceeds from sale of retail division	-	12,000	-	12,000
Less: Unrealised profit on sale	-	(1,780)	-	(1,780)
	-	10,220	-	10,220
Revenue from ordinary activities (excluding equity accounted net profits of associates)	22,242	46,664	18,574	31,308
4. OPERATING PROFIT				
(a) Net Gains and Expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains				
Net gain on disposal				
Investments	31	2,741	31	2,741
Property, plant and equipment	1,597	2,259	-	-
Expenses				
Depreciation	308	1,054	308	1,032
Amortisation	-	284	-	284
Bad and doubtful debts - trade debtors	14	26	14	25
Borrowing costs	863	966	862	920
Amount capitalised	-	(12)	-	(12)
Borrowing costs expense	863	954	862	908
Provision for employee entitlements	7	133	7	133
Rental expense relating to operating leases	-	1,381	-	1,371

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
4. OPERATING PROFIT (continued)				
(b) Individually Significant Items				
Profit on sale of Ingleside property	316	-	-	-
Share of net profit of associate (Healesville Holdings Pty Limited: Burrawang Ridge Estate property)	2,809	-	-	-
Profit on sale of interest in joint venture (Waterloo property)	1,281	-	-	-
Share of net profit of associate (Bayview Heights Estate Pty Limited)	248	-	-	-
Net gain on sale of retail business (refer note 6)	-	3,109	-	3,109
Net gain on sale of Wynyard property	-	1,415	-	-
Net gain on sale of property to joint venture party	-	844	-	-

5. INCOME TAX

The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:

Profit from ordinary activities before income tax expense	8,462	9,943	4,219	6,675
Prima facie tax expense on the net profit at 30%	2,539	2,983	1,266	2,002
Tax effect of permanent differences:				
Non-assessable income	(697)	(1,392)	(147)	(904)
Non-deductible expenses	28	124	14	66
Over (under) statement of FITB in prior year	44	-	44	-
(Over) under statement of PDIT in prior year	(2)	-	(2)	-
Dividend rebate	(948)	(492)	(948)	(434)
(Over) under provision for taxable income in prior year	(85)	49	(7)	-
Income Tax Expense	879	1,272	220	730

Tax Consolidation

Gowing Bros. Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 August 2002. The Australian Taxation Office has not yet been notified of this decision. As a consequence, Gowing Bros. Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

6. FORMER RETAIL DIVISION

On 18 October 2001, Gowing Bros. Limited announced that it proposed to sell down its retail business through floating Gowings Retail Limited on the Australian Stock Exchange.

The retail business was sold to Gowings Retail Limited, a 100% subsidiary of Gowing Bros. Limited, on 5 November 2001 and Gowings Retail Limited was subsequently listed on the ASX. Gowing Bros. Limited sold down its interest in Gowings Retail Limited, retaining 35% of the capital of Gowings Retail Limited. Gowings Retail Limited is an associate of Gowing Bros. Limited at 31 July 2003 therefore Gowing Bros. Limited equity accounts its investment in Gowings Retail Limited in its consolidated financial statements.

The loss from ordinary activities of the retail division from 1 August 2001 to the date of disposal was \$162,000.

The carrying amounts of the assets and liabilities of the retail division at the date of sale are set out below:

	As at 5 Nov 2001 \$'000
Total assets	14,916
Total liabilities	7,805
Net assets	7,111

Details of the sale of the division are as follows: \$'000

Consideration received:	
Shares in Gowings Retail Limited	10,000
Cash	2,000
	12,000
Carrying amount of net assets sold	(7,111)
	4,889
Unrealised profit on sale	(1,780)
Profit on sale before income tax	3,109
Income tax expense	-
Profit on sale after income tax expense	3,109

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
7. CURRENT ASSETS - CASH ASSETS				
Cash at bank and on hand	101	716	90	680
Deposits at call	11,876	12,232	11,876	12,232
	11,977	12,948	11,966	12,912

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	11,977	12,948	11,966	12,912
Less: Bank overdraft (note 21)	(61)	(159)	(61)	(159)
Balances per statement of cash flows	11,916	12,789	11,905	12,753

The deposits at call bear floating interest rates of 4.65% (2002: 4.50% to 4.65%)

8. CURRENT ASSETS - RECEIVABLES

Trade debtors	82	759	82	750
Less: Provision for doubtful debts	(31)	(18)	(31)	(18)
	51	741	51	732
Other debtors	450	359	240	101
Associated company	133	-	133	-
	634	1,100	424	833

Other Debtors

Other debtors includes interest on mezzanine finance transactions and property development loans, charged at commercial rates, and a receivable from Bergow Unit Trust.

9. CURRENT ASSETS - INVESTMENT LOANS

Bayview Heights Estate Pty Limited	2,411	-	2,411	-
Bunya Pines Estate Joint Venture	264	-	527	-
Mezzanine loans	705	-	705	-
Crescent Capital - Bill of Exchange	150	-	150	-
	3,530	-	3,793	-

10. CURRENT ASSETS - TAX ASSETS

Tax related receivable	-	-	283	-
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11. CURRENT ASSETS - OTHER

Prepayments	464	310	464	310
Deferred expenditure	25	25	25	25
	489	335	489	335

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
12. NON-CURRENT ASSETS - RECEIVABLES				
Loans to controlled entities	-	-	2,454	3,670
Interest receivable	237	-	237	-
Loans to directors and director related entities	326	334	326	334
Other loans	86	125	86	125
	649	459	3,103	4,129

Information relating to loans to related parties and directors is set out in note 38.

13. EQUITY INVESTMENTS**(a) Non-current Assets - Investments****Accounted for Using the Equity Method**

Shares in associates	8,865	5,678	-	-
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Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (see note 39).

(b) Non-current Assets - Other Financial Assets**Listed Securities**

Shares - at cost*	26,560	25,553	26,560	25,553
Shares in associates - at cost	-	-	5,286	5,286
Preference shares - at cost	778	38	778	38
	27,338	25,591	32,624	30,877

Other Investments

Unlisted securities - at cost				
Controlled entities - at cost	-	-	2	-**
Associates - at cost	-	-	100	-
Private equity - at cost	5,822	7,568	5,822	7,568
	5,822	7,568	5,924	7,568
	33,160	33,159	38,548	38,445

* Includes an investment at directors' valuation lower than cost.

** The cost of the investments in controlled entities was \$202 in 2002.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
13. EQUITY INVESTMENTS (continued)				
(c) Market Value at Balance Date - Listed Securities				
Shares	48,245	44,869	48,245	44,869
Shares in associates	2,870	4,550	2,870	4,550
Preference shares	1,073	319	1,073	319
	52,188	49,738	52,188	49,738
14. NON-CURRENT ASSETS – INVESTMENT LOANS				
Mezzanine loans	1,730	-	1,730	-
Gowings Property Development Fund	705	-	705	-
	2,435	-	2,435	-
15. NON-CURRENT ASSETS – DEVELOPMENT PROPERTIES				
Bunya Pines Estate Joint Venture	293	-	-	-

16. NON-CURRENT ASSETS – INVESTMENT PROPERTIES

Land and Buildings

	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
At cost/written down value	49,953	54,821	47,091	47,561

The cost of land and buildings reclassified during 2002 from property, plant and equipment includes the written down value of certain items including financed leased assets which had been depreciated up to the date of reclassification.

	Consolidated		Consolidated	
	2003 Book Value \$'000	2003 Market Value \$'000	2002 Book Value \$'000	2002 Market Value \$'000
Consists of the following property:				
Gowings Market Street building	46,491	50,000	46,491	47,000
Clarence Street carpark	282	282	282	282
Norton Street, Leichhardt	2,862	4,875	2,793	4,000
Forster land and building	318	350	35	35
Dank St, Waterloo	-	-	3,432	5,500
Laurel Rd, Ingleside	-	-	999	1,000
Burrawang Ridge Estate (33 1/3% interest)	-	-	789	2,600
	49,953	55,507	54,821	60,417

The market values shown above are based on Directors' assessments of market value at 31 July 2003.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
16. NON-CURRENT ASSETS – INVESTMENT PROPERTIES (continued)				
Movements in Investment Properties				
Balance at beginning of year	54,821	-	47,561	-
Transfer from land and buildings (note 17)	-	54,032	-	46,808
Acquisition of property	283	-	283	-
Sale of Waterloo and Ingleside properties	(4,431)	-	-	-
Repayment of loan	(689)	-	(653)	-
Transfer from non-current receivables	-	689	-	653
Transfer from current receivables	69	-	-	-
Transfer from (to) investment in associates	(100)	100	(100)	100
Balance at end of year	49,953	54,821	47,091	47,561

Leasing arrangements

Land and buildings (excluding Forster property) are leased to tenants on operating leases with terms of varying lengths and rentals payable monthly.

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:				
Within one year	4,560	4,169	4,212	3,935
Later than one but not later than 5 years	15,581	14,108	14,193	13,725
Later than 5 years	10,488	11,605	10,488	11,605
	30,629	29,882	28,893	29,265

17. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

Plant and Equipment

	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
At cost	3,967	3,743	3,967	3,743
Less: Accumulated depreciation	(1,162)	(862)	(1,162)	(862)
Total Plant and Equipment	2,805	2,881	2,805	2,881

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

17. NON-CURRENT ASSETS - PLANT AND EQUIPMENT (continued)**Reconciliations**

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Land & Buildings				
Carrying amount at start of year	-	60,142	-	42,089
Additions	-	1,812	-	36
Disposals	-	(12,294)	-	-
Depreciation expense (note 4)	-	(150)	-	(128)
Transfer from plant and equipment	-	4,811	-	4,811
Transfer to receivables	-	(289)	-	-
Transfer to investment properties (note 16)	-	(54,032)	-	(46,808)
Carrying amount at end of year	-	-	-	-
Plant and Equipment				
Carrying amount at start of year	2,881	9,976	2,881	9,939
Additions	244	1,885	244	1,922
Disposals	(12)	(2,981)	(12)	(2,981)
Depreciation/ amortisation expense (note 4)	(308)	(1,188)	(308)	(1,188)
Transfer to land and buildings	-	(4,811)	-	(4,811)
Carrying amount at end of year	2,805	2,881	2,805	2,881
Net carrying amount at year end	2,805	2,881	2,805	2,881
18. NON-CURRENT ASSETS - DEFERRED TAX ASSETS				
Future income tax benefit	264	417	264	417
19. NON-CURRENT ASSETS - OTHER				
Deferred expenditure	55	80	55	80
20. CURRENT LIABILITIES - PAYABLES				
Trade creditors	180	427	172	362
Funds from associates in advance	3,065	-	3,065	-
Other creditors and accruals	473	855	479	855
	3,718	1,282	3,716	1,217

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
21. CURRENT LIABILITIES - INTEREST BEARING LIABILITIES				
Bank overdrafts	61	159	61	159
Bill payable (note 25)	5,000	-	5,000	-
Share of joint venture bill payable	28	-	-	-
Lease liabilities (secured) (note 36)	489	452	489	452
	5,578	611	5,550	611
22. CURRENT LIABILITIES - TAX LIABILITIES				
Income tax	301	560	-	7
23. CURRENT LIABILITIES - PROVISIONS				
Employee entitlements	26	22	26	22
24. NON-CURRENT LIABILITIES - PAYABLES				
Loans from controlled entities	-	-	6,278	5,094
25. NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES				
Lease liabilities (secured) (note 36)	973	1,471	973	1,471
Bill payable	10,000	15,000	10,000	15,000
Share of joint venture bill payable	-	2,545	-	-
	10,973	19,016	10,973	16,471

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The entity has entered into a rolling bank bill facility expiring partly on 30 June 2004 and partly on 30 September 2006 with varying rollover periods varying from 30 to 180 days. The bills are discounted at rates determined from market rates at the time the bills are drawn. The bank requires the company to meet certain financial ratios in relation to the consolidated entity. At balance date the company complied with these requirements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

25. NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES (continued)**Financing Arrangements**

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Total facilities				
Bank overdrafts	1,000	1,000	1,000	1,000
Unsecured bill acceptance facility	15,474	17,545	15,000	15,000
	16,474	18,545	16,000	16,000
Used at balance date				
Bank overdrafts	61	159	61	159
Unsecured bill acceptance facility	15,028	17,545	15,000	15,000
	15,089	17,704	15,061	15,159
Unused at balance date				
Bank overdrafts	939	841	939	841
Unsecured bill acceptance facility	446	-	-	-
	1,385	841	939	841

The interest rates at balance date were 4.67% on the bill facility and 8.2% on the overdraft (2002: 5.3% and 8.2% respectively).

26. NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

Provision for deferred income tax	464	97	464	97
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27. NON-CURRENT LIABILITIES - PROVISIONS

Employee entitlements	56	53	56	53
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Parent Entity		Parent Entity	
	2003 Shares	2002 Shares	2003 \$'000	2002 \$'000

28. CONTRIBUTED EQUITY**(a) Share capital**

Ordinary shares fully paid	(c), (e)	45,052,508	44,698,478	7,261	7,007
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(b) Movements in ordinary share capital

Date	Details	Note	Number of Shares	Issue Price Per Share \$	\$'000
31/07/2001	Balance		43,747,997		5,882
19/10/2001	Dividend reinvestment plan issue	(d)	94,007	1.95	183
19/10/2001	Bonus in lieu issues	(e)	223,591		-
19/10/2001	Issue for underwriting dividend		492,900	1.85	912
22/04/2002	Dividend reinvestment plan issue	(d)	97,898	1.90	186
22/04/2002	Bonus in lieu issues	(e)	132,063		-
28/06/2002	On-market share buy back	(g)	(89,978)		(156)
31/07/2002	Balance		44,698,478		7,007
25/10/2002	Dividend reinvestment plan issue	(d)	81,579	1.80	147
25/10/2002	Bonus in lieu issues	(e)	170,301		-
18/12/2002	Dividend reinvestment plan issue	(d)	208,072	1.95	406
18/12/2002	Bonus in lieu issues	(e)	27,047		-
28/01/2003	On-market share buy back	(g)	(130,494)		(244)
23/04/2003	On-market share buy back	(g)	(157,553)		(299)
24/04/2003	Dividend reinvestment plan issue	(d)	180,388	1.90	342
24/04/2003	Bonus in lieu issues	(e)	23,190		-
18/06/2003	On-market share buy back	(g)	(48,500)		(98)
31/07/2003	Balance		45,052,508		7,261

(c) 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.

(d) Dividend Reinvestment Plan

The company's Constitution permits members to elect not to receive all or part of their proposed dividend entitlements and be allotted ordinary shares in lieu thereof. Such shares are issued at market price.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

28. CONTRIBUTED EQUITY (continued)**(e) Bonus in Lieu Plan**

The company's Constitution permits members to forego all or part of their proposed dividend entitlements and be allotted ordinary shares in lieu thereof. Shares are issued at market price.

(f) Options

Options to take up ordinary shares in the capital of the company have been granted as follows:

(i) Gowing Bros. Employees Share Option Plan

On 7 June 1999 40,000 options were granted for consideration of \$0.01 each under the Gowing Bros. Employees Share and Option Plan to 4 eligible employees of Gowing Bros. Limited and its controlled entities. Each option is convertible into one ordinary share at any time between 7 June 2002 and 6 June 2004 at a fixed price of \$1.90 per share. The number of unissued ordinary shares under these options at 31 July 2003 is 30,000 (2002 : 30,000).

On 11 November 1999 202,000 options were granted for consideration of \$0.01 each under the Gowing Bros. Employees Share and Option Plan to 44 eligible employees of Gowing Bros. Limited and its controlled entities. Each option is convertible into one ordinary share at any time between 11 November 2002 and 10 November 2004 at a fixed price of \$1.95 per share. The number of unissued ordinary shares under these options at 31 July 2003 is 117,000 (2002 : 133,000).

All unissued shares under options issued pursuant to the Gowing Bros. Employees Share and Option Plan are adjustable for capital reconstruction or bonus rights issues. Early exercise or extinguishment of options may result in the event of a takeover or the termination of employment, retirement or death of the holder.

At 31 July 2003 there were 147,000 options (2002 : 241,000) outstanding under the Gowing Bros. Employees Share and Option Plan.

(g) On-Market Share Buy-Back

Throughout the year the company purchased on-market and cancelled shares as part of the company's ongoing capital management program.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
29. RESERVES AND RETAINED PROFITS				
(a) Reserves				
Asset revaluation reserve	25,965	26,111	25,965	25,965
General reserve	10,010	10,010	10,010	10,010
Share option reserve	-	-	-	-
Capital profits reserve	32,670	32,670	32,670	32,670
	68,645	68,791	68,645	68,645
Movements				
Asset revaluation reserve				
Opening balance	26,111	30,906	25,965	29,191
Revaluation of listed venture capital investment	-	(3,226)	-	(3,226)
Sale of property	-	(1,569)	-	-
Transfer to retained profits	(146)	-	-	-
Closing Balance	25,965	26,111	25,965	25,965
General reserve				
Opening balance	10,010	10,000	10,010	10,000
Transfer from share option reserve	-	10	-	10
Closing Balance	10,010	10,010	10,010	10,010
Share option reserve				
Opening balance	-	10	-	10
Transfer to general reserve	-	(10)	-	(10)
Closing Balance	-	-	-	-
(b) Retained Profits				
Retained profits at the beginning of the financial year	14,439	7,832	8,369	6,057
Net profit attributable to members of Gowing Bros. Limited	7,584	8,671	3,999	5,945
Dividends provided for or paid	(4,081)	(3,633)	(4,081)	(3,633)
Aggregate of amounts transferred from reserves	146	1,569	-	-
Retained profits at the end of the financial year	18,088	14,439	8,287	8,369
(c) Nature and Purpose of Asset Revaluation Reserve				
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.				

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Consolidated		Parent Entity	
	2003 S'000	2002 S'000	2003 S'000	2002 S'000
30. OUTSIDE EQUITY INTERESTS				
Interest in				
Contributed Equity	-*	-	-	-
Retained profits (losses)	(1)	-	-	-
	(1)	-	-	-
* Interest in contributed equity is \$500.				
31. EQUITY				
Total equity at the beginning of the financial year	90,237	87,361	84,021	83,810
Total changes in equity recognised in the statement of financial performance	7,584	5,445	3,999	2,719
Prior year Dividend of 3.5c fully franked	(1,563)	-	(1,563)	-
Prior year Dividend satisfied by issue of shares under Dividend Reinvestment Plan and Bonus in Lieu Plan	452	636	452	636
LIC Capital Gain Dividend of 3.5c fully franked	(1,569)	(3,000)	(1,569)	(3,000)
LIC Dividend satisfied by issue of shares under Dividend Reinvestment Plan and Bonus in Lieu Plan	459	-	459	-
Interim Dividend of 3c fully franked	(1,351)	(1,086)	(1,351)	(1,086)
Interim Dividend satisfied by issue of shares under Dividend Reinvestment Plan and Bonus in Lieu Plan	386	186	386	186
Share buy-back	(641)	(156)	(641)	(156)
Total changes in outside equity interest	(1)	(61)	-	-
Dividend underwritten	-	912	-	912
Total equity at the end of the financial year	93,993	90,237	84,193	84,021

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Parent Entity			
	2003 S'000	2002 S'000		
32. DIVIDENDS				
Ordinary Shares				
2002 final dividend of 3.5 cents per fully paid share				
Franked at 30%	1,563	-		
Special LIC Capital Gain dividend of 3.5 cents per fully paid share.				
Franked at 30% (2002: 30%)	1,569	3,000		
Interim dividend of 3 cents (2002: 3 cents) per fully paid share				
Franked at 30% (2002: 30%)	1,351	1,086		
Less satisfied by bonus in lieu plan	(402)	(453)		
Total dividends declared	4,081	3,633		
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan				
Paid in cash	3,186	2,508		
Satisfied by issue of shares	895	1,125		
	4,081	3,633		
Dividends declared after year end				
In addition to the above dividends, subsequent to year end the directors have recommended the payment of a final dividend of 3.5 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 2003 out of retained profits at 31 July 2003, but not recognised as a liability at year end, is \$1,576,838 (2002: \$1,564,447). Part of this amount is expected to be satisfied by shareholders electing to participate in the BIL plan.				
Franked Dividends				
The franked portions of the final dividend declared after 31 July 2003 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 2004.				
	Consolidated		Parent Entity	
	2003 S'000	2002 S'000	2003 S'000	2002 S'000
Franking credits available for subsequent financial years (tax paid basis)	8,212	8,237	8,209	8,061

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the current tax liability
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
- franking credits that may be prevented from being distributed in subsequent financial years.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

33. REMUNERATION OF DIRECTORS

Directors of Entities in the Consolidated Entity		Directors of Parent Entity	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

Amounts paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities

468	395	468	395
------------	------------	------------	------------

The numbers of parent entity directors whose total income from the parent entity or related parties was within the specified bands are as follows:

		2003	2002
\$	\$	No.	No.
10,000	- 19,999	-	4
30,000	- 39,999	2	-
40,000	- 49,999	1	-
50,000	- 59,999	-	1
260,000	- 269,999	-	1
360,000	- 369,999	1	-

Executive Officers of the Consolidated Entity		Executive Officers of Parent Entity	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

34. REMUNERATION OF EXECUTIVES

Amounts received, or due and receivable, from entities in the consolidated entity and related parties by Australian based executive officers, including directors, whose remuneration was at least \$100,000

626	430	626	430
------------	------------	------------	------------

The numbers of Australian based executive officers, including directors, whose remuneration from entities in the consolidated entity and related parties was within the specified bands are as follows:

		Executive Officers of the Consolidated Entity		Executive Officers of Parent Entity	
2003	2002	2003	2002	2003	2002
No.	No.	No.	No.	No.	No.
160,000	- 169,999	-	1	-	1
260,000	- 269,999	1	1	1	1
360,000	- 369,999	1	-	1	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

35. REMUNERATION OF AUDITORS

Audit and review of the entity or any entity in the consolidated entity

54	85	54	85
----	----	----	----

In relation to sale of businesses

18	13	18	13
----	----	----	----

Tax and other advisory services

103	120	103	120
-----	-----	-----	-----

175	218	175	218
------------	------------	------------	------------

36. COMMITMENTS FOR EXPENDITURE

Capital Commitments

(a) Macquarie Investment Trust IIIA

The parent entity has a commitment of \$750,000 for uncalled capital contribution for the Macquarie Investment Trust IIIA.

(b) Innovation Capital Limited

The parent entity has a commitment for uncalled capital for Innovation Capital Limited of \$105,000.

(c) Crescent Capital Partners Growth Fund

The parent entity has a commitment to further invest \$1,168,125 in the Crescent Capital Partners Growth Fund when called.

(d) Crescent Capital Limited

The parent entity has a commitment of \$150,000 for uncalled capital in Crescent Capital Limited.

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

Finance Leases

Commitments in relation to finance leases are payable as follows:

Within one year

589	588	589	588
-----	-----	-----	-----

Later than one year but not later than 5 years

1,043	1,639	1,043	1,639
-------	-------	-------	-------

Minimum lease payments

1,632	2,227	1,632	2,227
--------------	--------------	--------------	--------------

Less: Future finance charges

(170)	(304)	(170)	(304)
-------	-------	-------	-------

Total lease liabilities

1,462	1,923	1,462	1,923
--------------	--------------	--------------	--------------

Representing lease liabilities:

Current (note 21)

489	452	489	452
-----	-----	-----	-----

Non-current (note 25)

973	1,471	973	1,471
-----	-------	-----	-------

1,462	1,923	1,462	1,923
--------------	--------------	--------------	--------------

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
37. EMPLOYEE ENTITLEMENTS				
Employee Entitlement Liabilities				
Provision for employee entitlements				
Current (note 23)	26	22	26	22
Non-current (note 27)	56	53	56	53
Aggregate employee entitlement liability	82	75	82	75
Employee numbers				
Number of employees at 31 July	No. 6	No. 7	No. 6	No. 7

38. RELATED PARTIES**Directors**

The names of persons who were directors of Gowing Bros. Limited at any time during the financial year are Messrs. W. A. Salier, J. E. Gowing, M. T. Alscher and J. G. Parker.

All of these persons were also directors during the year ended 31 July 2002.

Remuneration

Information on remuneration of directors is disclosed in note 33.

Shares

All shares were held beneficially by the directors.

Director	Shares Held as at 31 July 2002 No.	Shares Acquired/(Disposed) During the Year No.	Shares Held as at 31 July 2003 No.
W. A. Salier	41,980	2,271	44,251
J. E. Gowing	8,428,472	33,530	8,462,002
M. T. Alscher	210,724	14,911	225,635
J. G. Parker	30,000	10,000	40,000

Loans to Directors and Director-Related Entities

Loans to directors of entities in the consolidated entity and their director-related entities disclosed in notes 8 and 12 comprise:

	Consolidated		Parent Entity	
	2003 \$	2002 \$	2003 \$	2002 \$
Secured loan	326,037	334,225	326,037	334,805
Loan repayments received				
M. T. Alscher	30,000	24,875	30,000	24,875
Interest charged M. T. Alscher	21,812	12,294	21,812	12,294

Interest is charged on the secured loan which is repayable through the credit of directors fees. The loan was made to the director to participate in the Gowing Bros. Employees Share and Option Plan.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

38. RELATED PARTIES (continued)

At the time the director was an executive of Gowing Bros. Limited prior to his becoming a director. The loan is effectively secured as the title to the shares reverts to Gowing Bros. Limited in the event of default.

Other transactions with directors and director related entities

(a) Messrs Pigott Stinson Ratner Thom Solicitors

Transactions with related parties included normal professional fees of \$62,084 (2002: \$10,538) paid to Messrs Pigott Stinson Ratner Thom Solicitors, of which Mr W. A. Salier is a Partner, for legal services.

(b) Crescent Capital Partners Limited

Mr M. T. Alscher is an executive director and Mr J. E. Gowing is a non-executive director of Crescent Capital Partners Limited. Both aforementioned Directors are shareholders of Crescent Capital Partners Limited.

Crescent Capital Partners Limited manages Crescent Capital Partners Growth Fund.

The parent entity holds 500,000 (2002: 500,000) ordinary \$1 shares called to \$0.70 (2002: \$0.70) in Crescent Capital Limited. The parent entity has committed \$2,625,000 (2002: \$2,500,000) to the Crescent Capital Partners Growth Fund. At balance date only \$1,456,875 (2002: \$712,500) has been paid.

Interest Revenue from Bill of Exchange \$6,393 (2002: \$nil) on commercial terms.

(c) York Corporate Advisory Pty Limited

During the year the parent entity purchased \$11,100 (2002: \$233,113) of services from York Corporate Advisory Limited.

Mr M. T. Alscher is a director and shareholder of York Corporate Advisory Pty Limited.

(d) Former Director

During the year benefits provided to a former Director, Mr E. J. Gowing, totalled \$7,173 (2002: \$17,641).

(e) General

From time to time the Directors may purchase goods from the associate Gowings Retail Limited. These purchases are on similar terms and conditions as Gowings Retail Limited's employees.

Controlled Entities

Ownership interests in controlled entities are set out in note 41.

Transactions between Gowing Bros. Limited and other entities in the group during the years ended 31 July 2003 and 2002 consisted of:

(a) loans advanced by Gowing Bros. Limited

(b) loans repaid to Gowing Bros. Limited

(c) dividends received from controlled entities \$650,000 (2002:\$nil)

There are no fixed terms for the repayment of principal and no interest charged on loans advanced by Gowing Bros. Limited.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

38. RELATED PARTIES (continued)**Other Related Parties**

Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with each class of other related parties:

Associates:

Rent revenue	1,912	247	1,912	-
Interest Revenue	133	-	133	-

39. INVESTMENTS IN ASSOCIATES

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (note 13(a)) and are carried at cost by the parent entity (note 13(b)). Details of the former subsidiary, Gowings Retail Limited, becoming an associate in 2002 are in note 6.

Information relating to the associates is set out below:

Name of company	Principal Activity	Ownership Interest		Consolidated carrying amount		Parent Entity carrying amount	
		2003	2002	2003	2002	2003	2002
		%	%	\$'000	\$'000	\$'000	\$'000

Traded on organised markets:

Gowings Retail Limited	Retail	35	35	5,708	5,678	5,286	5,286
------------------------	--------	----	----	-------	-------	-------	-------

Non-traded:

Healesville Holdings Pty Limited*	Long-term property investor	33 1/3	33 1/3	2,909	100	100	100
-----------------------------------	-----------------------------	--------	--------	-------	-----	-----	-----

Bayview Heights Estate Pty Limited**	Property Developer	33 1/3	50	248	-	-	-
--------------------------------------	--------------------	--------	----	-----	---	---	---

				8,865	5,778	5,386	5,386
--	--	--	--	--------------	--------------	--------------	--------------

* A Director has an interest in the issued share capital of this company in excess of 10%. This interest was acquired prior to the Director being appointed to the Board.

** An entity associated with a Director has an interest in the issued share capital of this company in excess of 10%.

In 2002 the investment in Healesville Holdings Pty Limited was classified in the Statement of Financial Position as an investment property.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

39. INVESTMENTS IN ASSOCIATES (continued)**Loans to (from) Associates**

Name of company	Balance at 31 July 2002	Advances/(Repayments) During Year	Interest Charged During Year	Balance at 31 July 2003
	\$'000	\$'000	\$'000	\$'000

Bayview Heights Estate Pty Limited	-	2,411	133	2,544
Healesville Holdings Pty. Limited	689	(3,588)	-	(2,899)

All loans have no fixed terms of repayment. Interest charged is included in the Statement of Financial Position as a current receivable.

	Consolidated	
	2003	2002
	\$'000	\$'000

Movements in carrying amounts of investments in associates

Carrying amount at the beginning of the year	5,678	100
---	--------------	------------

Book value of investment in Gowings Retail Limited on transfer of division	-	5,286
--	---	-------

Share of operating profits after income tax	3,087	392
---	-------	-----

Transfer of investment in Healesville (to) / from investment property	100	(100)
---	-----	-------

Carrying amount at the end of the year	8,865	5,678
---	--------------	--------------

Results attributable to associates

Operating profits before income tax	3,206	560
-------------------------------------	-------	-----

Income tax expense	(119)	(168)
--------------------	-------	-------

Operating profits after income tax	3,087	392
------------------------------------	-------	-----

Less: Dividends received/receivable	-	-
-------------------------------------	---	---

	3,087	392
--	-------	-----

Retained profits attributable to associates at the beginning of the year	392	-
--	-----	---

Retained profits attributable to associates at the end of the year	3,479	392
---	--------------	------------

Share of associates expenditure commitments

Operating commitments	-*	6,191
-----------------------	----	-------

* 2003 information not available

Summary of the performance and financial position of equity accounted associates

The aggregate assets and liabilities related to equity accounted associates are:

Assets	11,409	6,204
--------	--------	-------

Liabilities	3,065	-
-------------	-------	---

Share of operating profit after income tax of associated companies includes the result for Gowings Retail Limited for the six months ended 31 January 2003 (2002: 31 July 2002). Results for the six months to 31 July 2003 have not been announced by the company. Since 31 January 2003, the Directors of Gowings Retail Limited have issued two statements in relation to that company's results for the full year to 31 July 2003.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

40. INTERESTS IN JOINT VENTURES**Joint venture operation**

During the year a controlled entity, Gowings Kempsey Pty Limited, entered a joint venture operation named Bunya Pines Estate Joint Venture for land sub-division and development. The controlled entity has a 50% participating interest in this joint venture and is entitled to 50% of its output. The prior year comparatives refer to a controlled entity's interest in the Gowings Phillip Street Joint Venture, which was dissolved during the year. The consolidated entity's interests in the assets employed in the joint ventures are included in the consolidated statement of financial position, in accordance with the accounting policy described in Note 1(q), under the following classifications:

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current assets				
Cash	6	36	-	-
Other	2	77	-	-
Total current assets	8	113	-	-
Non-current assets				
Development properties	293	3,432	-	-
Total non-current assets	293	3,432	-	-
Share of assets employed in joint venture	301	3,545	-	-

Gowing Bros. Limited has provided a conditional interest shortfall guarantee to the extent of its 50% interest in the joint venture in respect of a bank loan facility for the joint venture of \$947,000. The bank loan is in all other respects a loan with recourse only to the joint venture assets.

41. INVESTMENTS IN CONTROLLED ENTITIES

	Country of Incorporation	Class of Share	Equity Holding	
			2003 %	2002 %
Parent company				
Gowing Bros. Limited				
Controlled entities				
Reysharn Pty Limited	Australia	Ordinary	100	100
Toes on the Nose Pty Limited	Australia	Ordinary	100	100
Gowings Dank St Pty Limited	Australia	Ordinary	100	100
Laurelco Pty Limited	Australia	Ordinary	100	100
Gowings Leichhardt Pty Limited	Australia	Ordinary	100	100
Gowings Properties Pty Limited (formerly Gowings Berala No. 1 Pty Ltd)	Australia	Ordinary	50	100
Gowings Kempsey Pty Limited (formerly Gowings Berala No. 2 Pty Ltd)	Australia	Ordinary	100	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
42. RECONCILIATION OF NET PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES				
Profit from ordinary activities after income tax	7,583	8,671	3,999	5,945
Amortisation of interest rate swap	25	-	25	-
Depreciation and amortisation	308	1,338	308	1,316
Loss on disposal of plant & equipment	12	-	12	-
Finance lease charge	127	-	127	-
Gain on disposal of property	(1,597)	(2,259)	-	-
Net gain on sale of investments	(31)	(2,741)	(31)	(2,741)
Dividends received under DRP	(46)	-	(46)	-
Share of profits of associates not received as dividends	(3,087)	(392)	-	-
Write down of investments	-	96	-	96
Provisions for				
Doubtful debts	14	(64)	14	(34)
Employee entitlements	7	157	7	162
Dividend	-	(1,531)	-	(1,531)
Decrease (increase) in receivables	193	(360)	207	12,189
Decrease (increase) in inventories	-	(1,968)	-	(3,310)
Decrease (increase) in prepayments	(154)	(622)	(154)	(555)
Decrease (increase) in tax receivable	-	-	(283)	-
Decrease (increase) in future income tax benefit	153	920	153	906
Decrease (increase) in other operating assets	-	(177)	-	-
Increase (decrease) in trade creditors and accruals	(466)	3,227	(403)	3,798
Increase (decrease) in provision for income taxes payable	(259)	511	(7)	7
Increase (decrease) in provision for deferred income tax	367	(159)	367	(183)
Net cash inflow from operating activities	3,149	4,647	4,295	16,065

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2003

43. NON-CASH FINANCING AND INVESTING ACTIVITIES

Dividends satisfied by the issue of shares under the dividend reinvestment plan and bonus in lieu plan are shown in note 31.

	Consolidated Cents Per Share	
	2003	2002

44. EARNINGS PER SHARE

Basic earnings per share and diluted earnings per share

- based on operating profit after income tax. 16.88 c 19.53 c

Diluted earnings per share does not differ from basic earnings per share.

	Consolidated Number of Shares	
	2003	2002

Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share and diluted earnings per share.

44,936,856 44,408,224

Reconciliation of earnings used in calculating earnings per share:

	2003	2002
	\$'000	\$'000

Net profit 7,583 8,671

Net profit attributable to outside interests 1 -

Earnings used in calculating basic earnings per share 7,584 8,671

Options

Options issued are considered to be non-diluting and have not been included as potential ordinary shares.

45. OTHER INFORMATION

Gowing Bros. Limited is incorporated and domiciled in New South Wales. The registered office, and principal place of business, is Level 8, Gowings Building, corner Market and George Streets, Sydney NSW 2000.

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

The Company Secretary is Mr J S Byers.

The share register is maintained by the Computershare Investor Services Pty. Limited, GPO Box 7045, Sydney NSW 1115, Telephone 1300 850 505, Facsimile +61 (0)2 8216 5500.

DIRECTORS' DECLARATION

YEAR ENDED 31 JULY 2003

The directors declare that the financial statements and notes set out on pages 32 to 66:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements in Australia; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 31 July 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; 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.

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

W. A. SALIER

Director

J. E. GOWING

Director

Sydney

26 September 2003

INDEPENDENT AUDIT REPORT

YEAR ENDED 31 JULY 2003

To the members of Gowing Bros. Limited:

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position as at 31 July 2003, and the statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for the year ended 31 July 2003 for both Gowing Bros. Limited ("the company") and Gowing Bros. Limited and its controlled entities ("the consolidated entity") as set out on pages 32 to 67. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; for the accounting policies and for the accounting estimates within the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance that the financial report is free of material misstatement. The nature of an audit is influenced by several factors including the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of audit evidence which may be persuasive rather than conclusive. Accordingly, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether, in all material respects, the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When determining the nature and extent of our procedures we considered the effectiveness of management's internal controls over financial reporting. Our audit was not designed to provide assurance in relation to internal controls.

INDEPENDENT AUDIT REPORT

YEAR ENDED 31 JULY 2003

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Gowing Bros. Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 July 2003 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

HLB MANN JUDD

(NSW Partnership)

Chartered Accountants

S K PREEN

Partner

Sydney

26 September 2003

MARKET VALUE OF INVESTMENTS

AS AT 31 JULY 2003

Investments Shares / Notes / Options	No. of shares	Market Value \$
Alesco Corporation Limited	349,192	1,872,000
Alumina Limited	79,636	385,000
AMP Limited	45,185	220,000
ANZ Banking Group Limited	117,500	2,144,000
ARB Corporation Limited	160,000	432,000
Australian Gas Light Company	20,000	213,000
Australian Stock Exchange Limited	34,293	462,000
Bendigo Bank Limited	40,000	325,000
BHP Billiton Limited	289,353	2,836,000
BHP Steel Limited	165,013	688,000
Blackmores Limited	193,812	1,306,000
Brambles Industries Limited	257,734	1,273,000
Carlton Investments Limited	156,370	1,876,000
Centennial Coal Company Limited	338,945	813,000
Coles Myer Limited	200,000	1,468,000
Commonwealth Bank of Australia	13,000	388,000
Ebet Limited conv. notes	14,000	322,000
Fleetwood Corporation Limited	75,000	330,000
Gowings Retail Limited	7,000,001	2,870,000
Hills Industries Limited	523,810	1,854,000
Insurance Australia Group Limited	150,725	565,000
John Fairfax Holdings Limited	595,000	1,720,000
Lend Lease Corporation Limited	70,000	607,000
Macquarie Airports	200,000	324,000
Macquarie Equities (Macquarie Bank Limited)	40,000	1,224,000
National Australia Bank Limited	154,700	5,051,000
Noni B Limited	540,162	929,000
Pacsoft Limited	9,668,647	242,000
Patrick Corporation Limited	20,000	264,000
Portman Limited	200,000	264,000
Reinhardt International Pty Limited conv notes	300,000	300,000
Rural Press Limited	100,000	630,000
Rural Press Limited pref. shares	50,000	310,000
S8 Limited	100,000	200,000
SFE Corporation Limited	170,474	621,000
St George Bank Limited	20,000	423,000
Suncorp- Metway Limited	50,000	610,000
Telstra Corporation Limited	136,000	636,000
Transurban Group	75,000	341,000
Washington H Soul Pattison Company Limited	580,880	3,445,000
Wesfarmers Limited	20,000	533,000
West Australian Newspapers Limited	115,009	679,000
Westpac Banking Corporation	309,400	5,139,000
WMC Resources Limited	79,636	296,000
Woodside Petroleum Limited	90,484	1,203,000
Woolworths Limited	157,000	1,853,000
Other	838,818	1,702,000
Sub-total shares / notes and options	24,904,779	52,188,000

MARKET VALUE OF INVESTMENTS

AS AT 31 JULY 2003

Private Equity Investments	Market Value \$
MIT IIIA	3,815,000
Crescent Capital Management Pty Limited	350,000
Crescent Capital Partners Growth Fund	1,751,000
Other	543,000
Sub-total private equity investments	6,459,000
Total investments	58,647,000

