



# GOWING BROS

Investing Together for a Secure Future

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Dear Shareholder

I have pleasure in enclosing the Managing Director's Report for the half year.

I should like to draw attention to some facilities available to our shareholders, which are environmentally friendly and provide greater choice and convenience, and which I would encourage all shareholders to embrace.

### **eCommunications**

Many listed companies now offer the option for their shareholders to receive communications, including the Annual Report, via email. If you are interested in receiving future communications from us via this method, please visit the Investor Centre at [www.computershare.com.au](http://www.computershare.com.au) and register for eCommunications.

### **Direct credit of dividends**

I would also strongly encourage you to consider the credit of your Gowings dividends directly to your bank account, if you have not already done so. In addition to the benefits noted above, this will also relieve you of the necessity of the trip to the bank (and the inevitable queue) and ensure your dividend is credited to your account immediately. You may change to the direct credit method via either the on-line Investor Centre as above, or by completing the direct credit form which will accompany your next dividend cheque.

Best regards

John Gowing



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Managing director's review of operations

# MEDIA RELEASE

## "Record Interim Result"

For the Half Year Ended 31 January 2007

### Result Highlights

- 12.4% increase in gross assets per share to \$4.30 for the 6 months to 31 January 2007 (31 July 06: \$3.87) before allowing for tax on unrealised gains and after adjusting for dividends paid.
- 43% increase in fully franked interim dividend to 5c per share (PCP\*: 3.5c).
- 51% increase in operating profit before tax to \$2.6m (PCP: \$1.7m).
- 136% increase in net profit after tax to \$5.5m (PCP: \$2.3m).
- The listed Australian equity portfolio again posted a strong performance appreciating in value by 17.3% during the 6 months ending 31 January 2007.
- Approximately \$8.5m of new listed equity investments or 'top-ups' were made during the period.
- A \$2.6m revaluation of two of our retail investment properties was made following completion of a substantial refurbishment at Norton Street, Leichhardt and the successful completion and leasing up of the Bong Bong Street Bowral development.
- A \$0.8m revaluation of our managed private equity portfolio following strong performance in the AMP, Macquarie, and Crescent funds.
- Further commitments of \$11m were made to managed private equity funds on a wholesale basis including the ANZ Business Equity Fund, AMP Private Equity Fund III and Everest Babcock & Brown Opportunities Fund.

\* PCP: The Prior Corresponding Period is for the 6 months ending 31 January 2006.

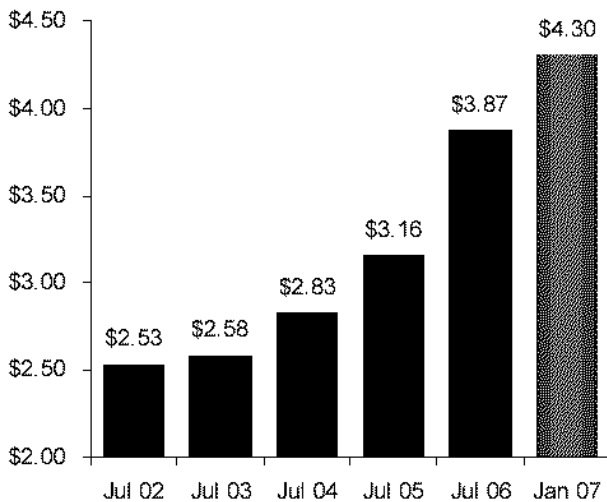


Managing director's review of operations

Dear fellow shareholder,

On behalf of your board of directors, I am pleased to comment on the results for the 6 months ending 31 January 2007.

RECORD NET ASSETS PER SHARE

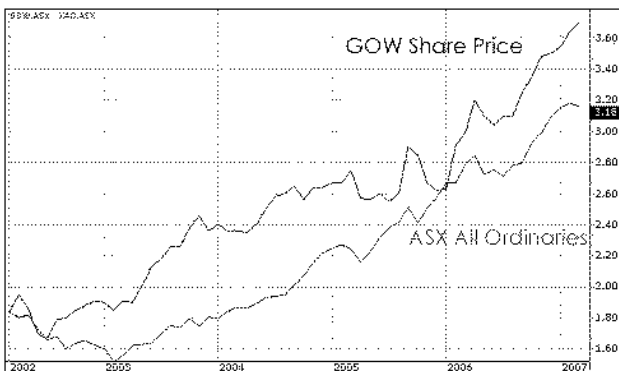


Our net assets per share increased by 12.4% during the 6 month period from \$3.87 to \$4.30 after adjusting for dividends paid and before allowing for tax on unrealised gains.

SHAREHOLDER RETURNS

Shareholder Returns	31 Jan 07	31 Jul 06	31 Jan 06
(Per share)	(6 Months)	(6 Months)	(6 Months)
Opening net assets	\$3.87	\$3.40	\$3.16
Closing net assets	\$4.30	\$3.87*	\$3.40
Increase in net assets	\$0.43	\$0.47	\$0.24
Dividends paid	\$0.05	\$0.035	\$0.065
<b>Total return</b>	<b>\$0.48</b>	<b>\$0.505</b>	<b>\$0.305</b>
<b>% Return</b>	<b>12.4%</b>	<b>14.9%</b>	<b>9.7%</b>

\* Including sale of Market Street Building

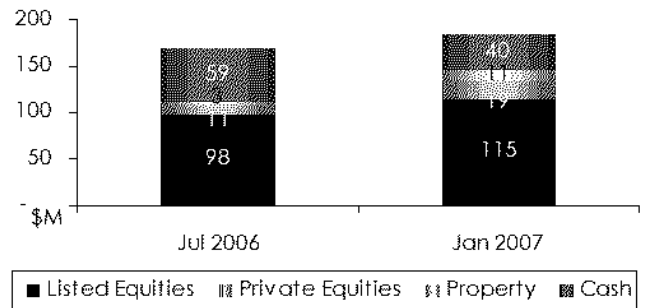


INCREASED FULLY FRANKED DIVIDEND

The directors have declared a fully franked interim dividend of 5c per share being a 43% increase on the prior corresponding period of 3.5c.

The dividend will be paid on 24 April 2007 to shareholders on the register as at 10 April 2007.

PORTFOLIO MIX

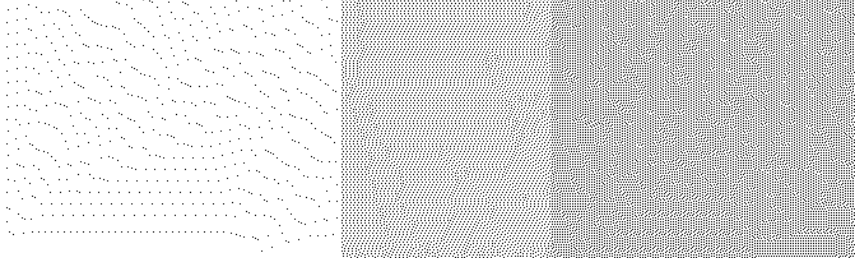


INCREASED OPERATING PROFIT

1st Half Results	2007	2006
	(6 months)	(6 months)
Interest income	1,529	476
Listed equities income	2,051	1,548
Private equities income	128	17
Investment property income	103	955
Operating expenses	(1,184)	(1,254)
<b>Operating profit before tax</b>	<b>2,627</b>	<b>1,742</b>
Gains on disposal of investments	1,218	36
Revaluation of investments	3,429	1,344
Borrowing costs	(458)	(402)
<b>Net profit before tax</b>	<b>6,816</b>	<b>2,720</b>
Income tax expense	(1,298)	(374)
Minority interest	-	(6)
<b>Net profit after tax</b>	<b>5,518</b>	<b>2,340</b>

Operating profit before tax increased by 51% to \$2.6m (2006: \$1.7m) driven by an increase in dividends and interest income received.

Net profit after tax increased by 136% to \$5.5m (2006: \$2.3m) boosted by disposals of listed Australian equities due to takeovers (Vision Systems and Adsteam Marine), revaluations of two of our recently redeveloped retail investment properties and revaluations of private equity investments.



## Managing director's review of operations

### INVESTMENT PORTFOLIO

As a wealth management company, our principal goal is to maximise and protect our shareholders' wealth over the long term.

#### Listed Australian Equities

Our listed equity investments are made on a fundamental value basis in companies that are well positioned to deliver above average long term growth.

During the period, we made \$8.5m of new investments or 'top-ups' to our listed equity portfolio including:

- Perpetual Investments
- Harvey Norman
- Emeco Holdings
- Coates Hire
- Allco Finance Group
- Coffey International
- GLG Corporation
- Everest Babcock and Brown
- Everest Babcock and Brown Income Trust
- Fairfax Media
- Wesfarmers

#### Property Investments

Our property investments are made following a disciplined due diligence process in projects where we can add value and generate higher returns relative to our listed equity portfolio.

Acquisitions made during the period include a \$3.6m purchase of a 26 acre site to be developed as a tourist facility and a \$2m purchase of commercial properties adjoining our office at Jones Bay Wharf.

#### Managed Private Equities

Our managed private equity investments also provide opportunity for enhanced returns. We only invest in proven managers with a strong ability to generate proprietary deals. As at reporting date, there were approximately \$18m invested across 5 different managers. This provides significant diversification when considering each manager will typically invest in at least 5 companies.

During the period, \$8.1m of capital calls were made to AMP III, ANZ, Everest Babcock & Brown, Crescent Capital, Macquarie Co-investment Wholesale and Macquarie European Infrastructure Funds.

In addition to providing the potential for improved returns, our property and private equity investments are generally uncorrelated to our listed equity investments, which aids in reducing the risk of the overall portfolio.

### TREND ANALYSIS

In today's market, an increasing amount of time is being devoted to reviewing global trends in order to identify tomorrow's growth stocks.

#### Industrialisation of BRICs (Brazil, Russia, India, China)

Key Drivers: High economic growth, rising incomes and wealth, rising middle class.  
 Growth Areas: Increased consumption of resources, energy, agri-goods and services.  
 Portfolio Stocks: Australian Agricultural Co, Woodside Petroleum, AMP China Growth Fund, Wesfarmers, BHP Billiton, RIO Tinto, Aditya Birla, Fleetwood, Coates Hire, Coffey International, Emeco Holdings, Nomad, Index.  
 Total Exposure: \$30m

#### The Aging Australian and Western World Populations

Key Drivers: Western populations are aging with retiring baby boomers.  
 Growth Areas: Increased wealth, leisure and healthcare needs.  
 Portfolio Stocks: Blackmores, Resmed, Fleetwood, ARB, Invocare, Perpetual Investments  
 Total Exposure: \$11m

#### The internet

Key Drivers: The increased penetration of the internet, broadband and mobility.  
 Growth Areas: Online retailing, entertainment and media.  
 Portfolio Stocks: Fairfax Media, Quickflix, Wotif, News Corp.  
 Total Exposure: \$6m

#### Globalisation of World Economies

Key Drivers: Reduced barriers, increased global trade, improved communications.  
 Growth Areas: Best practice companies expanding internationally.  
 Portfolio Stocks: Woolworths, Harvey Norman, ANZ Bank, Commonwealth Bank, Lend Lease, Macquarie Bank, Babcock & Brown, GLG, ARB, News Corp, Macquarie Airports, Resmed.  
 Total Exposure: \$25m

#### Financialisation

Key Drivers: Increasing demand for financial expertise and services.  
 Growth Areas: Investment banks, fund managers, financial services firms.  
 Portfolio Stocks: Macquarie Bank, Babcock and Brown, Everest Babcock and Brown, Allco Finance Group, Aspen Group, Lend Lease, Banks, ASX.  
 Total Exposure: \$50m

#### The Environment and Global Warming

Key Drivers: Protecting the environment and the efficient use of scarce resources.  
 Growth Areas: Environmental companies, water, waste, natural gas, consultancy.  
 Portfolio Stocks: Coffey International, Hills Industries, Woodside Petroleum.  
 Total Exposure: \$8m

### OUTLOOK

The company continues to be well positioned to benefit from further growth in the local and global economies through its diversified investment portfolio of quality assets including listed equities, managed private equities and property investments.

Conversely, as a result of our prudent diversification across different asset classes, we are well placed to weather any unforeseen economic downturn or global shocks.

Best regards,

**John Gowing**