



GOWING BROS LIMITED

Statement of Corporate Governance

This statement outlines the corporate governance practices at Gowing Bros. Limited ("Gowing Bros.").

Gowing Bros. remains committed to best practice corporate governance processes that will enhance the Company's effectiveness and ensure the appropriate degree of accountability and transparency to shareholders.

Gowing Bros. has undertaken a review of its processes and procedures in light of the ASX Corporate Governance Council ("Council") Principles of Good Corporate Governance and Best Practice Recommendations ("the Recommendations").

As a result of this review, Gowing Bros. has documented its corporate governance regime. The Board considers this regime appropriate in light of the size, organisational complexity and scope of operations of the Company ("the nature of the Company"). At the same time it is consistent in all material aspects with international best practice and the ASX Recommendations.

In formulating this Statement of Corporate Governance, the Board has sought to create a corporate governance structure which:

- provides a minimum appropriate level of procedural rules and regulations to allow management to act expeditiously, in an entrepreneurial fashion and having regard to the Company's established risk management guidelines;
- maintains the spirit of the Recommendations; and
- seeks to maximize shareholder value.

As recognised by the Council, corporate governance is the system by which companies are directed and managed. It influences:

- how the objectives of the company are set and achieved,
- how risk is monitored and addressed, and
- how performance is optimized.

There is no single model of good corporate governance, which will continually evolve with the changing circumstances of the company.

Gowing Bros. will therefore continually review its practices and will continue to refine them in light of the Recommendations, standards of best practice that develop in the market and its continuing corporate evolution.

This statement should be read in conjunction with the Company's Annual Report.



GOWING BROS LIMITED

Statement of Corporate Governance

1. Lay solid foundations for management and oversight

Best Practice 1.1: Formalise and disclose the functions reserved to the board and those delegated to management.

The Board is responsible for general oversight of the Company's activities and performance and for setting the Company's overall strategic direction. In delegating responsibility for the day-to-day operation and management of the Company to the Managing Director, the Board has processes and systems in place to ensure that significant issues, risks and major strategic decisions are monitored and considered at Board level. This allows the Company to operate on a day-to-day basis in a manner which maximizes shareholder value and manages risks while seeking to ensure that the interests of the shareholders are protected.

A copy of the Board Charter is available on the company's website.



GOWING BROS LIMITED

Statement of Corporate Governance

2. Structure the board to add value

Best Practice 2.1: A majority of the board should be independent directors.

The company currently has three non-executive directors and one executive director being the Managing Director, Mr. John Gowing. Only one non-executive director, Mr. John Parker, is considered to be independent in terms of the Council's prescriptive definition of an independent director. Whilst the remaining non-executive directors are not considered independent under the Council's definition, the Board is of the view that their non-independence is not materially significant given the nature of the relationships between the company and these directors.

Having regard to the current membership of the Board and nature of the Company, the Company does not believe that creating a board having a majority of independent directors is appropriate at this time. It is considered of more importance and value that each director brings with him a set of skills, experience and strategic relationships that enable the Company to achieve high performance. It is the Company's practice in appointing new or additional directors to the Board to consider as its first priority the extent to which they will add value to the Company. The independence of a candidate is one of the factors considered by the Company during the selection process but is not necessarily the crucial determinant in an appointment.

Best Practice 2.2: The Chairman should be an independent director.

The company's chairman, Mr. Tony Salier, does not qualify as an independent director according to the Council's prescriptive definition. The Company however believes that he brings crucial skills and experience to the role of Chairman given his service, experience and record of achievement with the Company, his broader legal and commercial experience and his standing in the legal profession as a result of 40 years of legal professional practice. The Company does not believe that the categorization of Mr. Salier as a 'non-independent' Director has any negative effect on his ability as Chairman to direct the efficient organization and conduct of the Board.



GOWING BROS LIMITED

Statement of Corporate Governance

Best Practice 2.3: The roles of the Chairman and the Managing Director should not be exercised by the same person.

The company's Chairman, Mr. Tony Salier, and the company's Managing Director, Mr. John Gowing have separate roles. The Chairman is responsible for leading the Board in the discharge of its duties. The Managing Director is responsible for managing general affairs, operations and finance, including treasury, for the Company.

Best Practice 2.4: The board should establish a nomination committee.

A nomination committee is not considered to be of value or benefit given the nature of the Company.

All directors are appointed subject to re-election requirements of the Company's Constitution, ASX Listing Rules and Corporations Act provisions.

The Board regularly reviews succession plans taking into consideration the range of skills, experience and expertise of the current members.

Best Practice 2.5: Provide information regarding director backgrounds, independence, rights, terms, appointments, resignations and attendances.

The Company provides this information in its Annual Report and website.

Directors are required to notify the Board of any change in circumstances that could impair their performance as a director.

3. Promote ethical and responsible decision making

Best Practice 3.1: Establish a code of conduct to guide the directors, the managing director and key executives as to:

- 3.1.1. *the practices necessary to maintain confidence in the company's integrity*
- 3.1.2. *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Company's code of conduct, with which all of the board, management and employees are expected to comply, is available on the company's website.

Best Practice 3.2: Disclose the policy concerning trading in company securities by directors, officers and employees:

The company requires all directors to have shareholdings in the company to assist in ensuring the alignment of interests with those of shareholders.

The company has a policy, which restricts the times and circumstances in which the directors and senior executives may buy or sell shares in the company. Unrestricted trading is limited to specified short periods after announcements are made to the ASX of the company's half yearly and annual financial results.



GOWING BROS LIMITED

Statement of Corporate Governance

4. Safeguard integrity in financial reporting

Best Practice 4.1: Require the managing director and the chief financial officer to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with the relevant accounting standards.

Gowing Bros.' Managing Director and Finance Manager report in writing to the Audit Committee that, to the best of their knowledge and belief, the financial statements of Gowing Bros. Limited for each half and full year present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with the relevant accounting standards.

Best Practice 4.2 The board should establish an audit committee.

An audit committee was established by the board in 1997.

Best Practice 4.3 Structure the audit committee so that it consists of:

- Only non-executive directors
- A majority of independent directors
- An independent chairperson, who is not the chairperson of the board
- At least two members

The current members of the Gowing Bros. Audit Committee are:

- Mr. John Parker (Chairman)
- Mr. Tony Salier
- Mr. Michael Alscher

The Audit Committee is chaired by Mr John Parker who is an independent director. The remaining members are not independent for the reasons set out in Best Practice 2 of this Statement.

Best Practice 4.4 The Audit Committee should have a formal charter.

The Audit Committee Charter is available on the company's website.



GOWING BROS LIMITED

Statement of Corporate Governance

5. Make a timely and balanced disclosure

Best Practice 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The managing director and company secretary are the only executive officers of the Company. They perform their duties in accordance with procedural guidelines vetted and approved by the Board.

The managing director and company secretary are responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the board. The company secretary is responsible for all communications with the ASX.



GOWING BROS LIMITED

Statement of Corporate Governance

6. Respect the rights of shareholders

Best Practice 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

The company's Shareholder Communication Policy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and the results of the company. Communication mechanisms employed include:

- Regular shareholder communications such as half yearly reports and the Full Financial Report;
- Shareholder access to communications via the company's website at www.gowingBros.com;
- Utilizing Computershare, the company's share registry service provider to facilitate the delivery of information to shareholders; and
- Other publications such as "The Gowings Guide" which provide useful information about the company

The board encourages the full participation of shareholders at the Annual General Meeting in order to provide shareholders with a forum for asking questions of the Board and its external auditors.

All shareholders who are unable to attend the Annual General Meeting are encouraged to communicate issues or ask questions by writing to the Company.

Best Practice 6.2 Request that the external auditor be available to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditors report.

The company's long standing practice is to ensure that the company's external auditor attends the AGM.



GOWING BROS LIMITED

Statement of Corporate Governance

7. Recognise and manage risk

Best Practice 7.1: The board should establish policies on risk oversight and management.

The board is responsible for the oversight of the company's risk management and control framework. The managing director is ultimately responsible to the board for risk management and the control framework.

The Company's objectives in relation to risk management are to improve business performance, manage exposures and create value through making informed and conscious risk management choices on a Company-wide basis.

Each investment made by the company is subject to thorough due diligence analysis and investment decisions are made on the basis of an appropriate risk return profile.

Regular management meetings are held to monitor all major investments and assess whether each major investment continues to meet the overall investment strategy and criteria of the company.

Best Practice 7.2: The managing director should state in writing that:

7.2.1 the statement given in accordance with Best Practice 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Managing Director reports in writing to the audit committee such that the requirements of Best Practice 7.2 are satisfied.



GOWING BROS LIMITED

Statement of Corporate Governance

8. Encourage enhanced performance

Best Practice 8.1: Disclose the process for performance evaluation of the board, its committees, individual directors and key executives.

Having regard to the nature of the Company, the Board adopts an informal ad-hoc performance evaluation process of its members and key executives.



GOWING BROS LIMITED

Statement of Corporate Governance

9. Remunerate fairly and responsibly

Best Practice 9.1: Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits associated with those policies and (ii) the link between the remuneration paid to directors and key executives and corporate performance.

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions.

Director and key executive remuneration details are set out in the Directors Report in the Annual Report and in the Notes to the Financial Statements.

Best Practice 9.2 The board should establish a remuneration committee

A Remuneration Committee is not considered appropriate given the nature of the company.

Best Practice 9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

The remuneration of non-executive directors is determined by the shareholders in general meeting and in accordance with the directors' remuneration provisions of the company's Constitution

Best Practice 9.4 Ensure that the payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The company ensures that the payment of equity based executive remuneration is made in accordance with the company's constitution, the Employee Share and Option Plan and ASX Listing Rule requirements.



GOWING BROS LIMITED

Statement of Corporate Governance

10. Recognise the legitimate interests of stakeholders

Best Practice 10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The company's objective is to create wealth for shareholders and to create a working environment which values its employees.

The Company's Code of Conduct is available on the company's website.