



Gazal Corporation Limited

ACN 57 004 623 474

Consolidated Financial Report & Appendix 4D For The Half-Year Ended 31 December 2016

Gazal Corporation Limited
Consolidated Financial Report and Appendix 4D
For the Half-Year Ended 31 December 2016

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This Financial Report on the consolidated Group constitutes the Appendix 4D required by the Australian Stock Exchange. It should be read in conjunction with the Annual Report for the Year Ended 30 June 2016 that is lodged with the Australian Stock Exchange under listing rule 4.2A.

All amounts are in Australian dollars unless otherwise stated and rounded where applicable. The information on which this Consolidated Financial Report is based has been reviewed by the Group's auditors, Ernst & Young. The Company has a formally constituted Audit Committee of the Board of Directors. This report was approved by resolution of a Committee of the Board of Directors on 28 February 2017.

Gazal Corporation Limited

Appendix 4D

For the Half-Year Ended 31 December 2016 Results for Announcement to the Market

CONSOLIDATED				
		Half-year ended 31 Dec 16	Half-year ended 31 Dec 15	Movement %
Revenue from ordinary activities- continuing operations	\$'000	26,728	30,366	-12.0%
Profit from ordinary activities after tax attributable to members- continuing operations	\$'000	5,537	4,734	17.0%
Profit after tax from discontinuing operations	\$'000	383	33,927	-98.9%
Net profit for the period attributable to members	\$'000	5,920	38,661	-84.7%
Basic earnings per share from continuing operations	cents	9.6	8.2	16.8%
Final dividend (fully franked) for the financial year 30 June 2016- Paid 4 October 16	\$'000	4,066	4,631	
Interim dividend (fully franked) - Payable 4 April 17	cents	6.0	5.0	

		As at 31 Dec 16	As at 31 Dec 15	Movement %
Net tangible assets per share	cents	166	190	-12.5%

This Appendix 4D information should be read in conjunction with the Consolidated Financial Report for the Half-Year Ended 31 December 2016 which is attached hereto. The Company has a formally constituted Audit Committee of the Board of Directors.

Gazal Corporation Limited

Directors' Report

For the Half-Year Ended 31 December 2016

Your Directors submit their report for the half-year ended 31 December 2016.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Michael Gazal	Executive Chairman
Patrick Robinson	Executive Director and Chief Executive Officer
David Gazal	Executive Director and General Manager – Bisley Workwear
Bruce Klatsky	Non-Executive Director and Lead Independent Director
Craig Kimberley	Non-Executive Director and Independent Director
Graham Paton	Non-Executive Director and Independent Director

REVIEW AND RESULTS OF OPERATIONS

Continuing Operations

Sales revenue in the PVH Brands Australia Pty Ltd jointly controlled entity (the 'PVHBA JV' or 'JV') has increased by 11.6% to \$103.3m. The PVHBA JV profit after tax has also increased 70.5% to \$7.5m from \$4.4m last year. Gazal's share of the PVHBA JV profit increased 59.6% to \$3.8m from \$2.4m last year.

The sales and profit growth in the PVHBA JV has been driven by the continuing development of new product categories across Calvin Klein and Tommy Hilfiger with our key trading partners Myer and David Jones, the ongoing development of our retail channel, and 9 new stores since 31 December 2015. The additional stores include a world first opening of the new Tommy Hilfiger design concept in the latest extension of Chadstone Shopping Centre in Melbourne.

Gazal sales for continuing operations decreased to \$26.7m as a result of difficult trading conditions in the workwear industry continuing from FY16. However, as a result of strong cost control in the workwear segment, higher fees from the joint venture and a higher share of profit from PVHBA, the NPAT of continuing operations increased 17.0% to \$5.6m.

Non-IFRS Operating Results

The PVHBA JV is a Joint Arrangement under IFRS 11. The Directors are of the opinion that due to the significance of the JV to the operating results of Gazal, it is useful to present non-IFRS (unaudited) combined results of Gazal and the JV as follows:

Half Year ended 31 December Continuing Operations – Non-IFRS (unaudited)	H1 FY17 \$m	H1 FY16 \$m	Variance %
Sales Revenue	130.0	122.9	5.8%
NPBT	13.5	9.9	36.4%
NPAT	9.3	6.8	36.8%

Please refer to the note on page 5 for the reconciliation between the IFRS results and the non-IFRS financial information above.

Gazal Corporation Limited
Directors' Report
For the Half-Year Ended 31 December 2016

REVIEW AND RESULTS OF OPERATIONS (continued)

Non-IFRS Operating Results (continued)

On a non-IFRS combined results basis, the sales revenue of Gazal and the PVHBA JV increased by 5.8% to \$130.0m for the six months to 31 December 2016 and NPAT improved 36.8% to \$9.3m.

Net Debt Position

During the period, a second special dividend of 35 cents per share (\$20.4 million) was paid in October 2016 following the sale of the Trade Secret business. Additionally in the six months, the capital gains tax on the profit on sale of Trade Secret (\$13.2m) was paid.

The timing of these two non-recurring items has resulted in the Company's net debt increasing to \$25 million as at 31 December 2016. This compares to a net cash position of \$6 million as at 31 December 2015 (with no debt). It is expected that Gazal's debt levels will decrease moving towards 30 June 2017.

At 31 December 2016, the PVHBA JV had a cash balance of \$14.6m with no debt.

Outlook

In the second six months of FY17, Gazal will continue to recognise profits on the wholesale segment, the share of JV profits and other services revenue from the PVHBA JV.

Wholesale segment

We expect the challenging market conditions in the Australian work-wear sectors to continue in the second half of the year. Given the trend seen in the first half, we expect earnings for continuing operations for FY17 will be below last year.

Share of profits from JV and other services revenue

In line with the trends seen in the first six months, we expect second half sales to be higher than the prior year. Second half sales performance in Calvin Klein, Tommy Hilfiger, Van Heusen and Nancy Ganz will be supported by further new stores openings in Bondi and the Sydney domestic terminal as well as new product categories introduced over the last 12 months.

In addition, we expect that the combined share of profits and other services revenue from the PVHBA JV to be higher than the contribution in the second 6 months of FY16.

Dividends

The Directors resolved to pay an interim dividend in the first half of 6 cents per share fully franked. The record date for determining shareholders' entitlement for the interim dividend is 14th March, 2017 and the interim dividend is payable on 4th April, 2017. The Dividend Reinvestment Plan will not apply to the interim dividend.

Gazal Corporation Limited
Directors' Report
For the Half-Year Ended 31 December 2016

REVIEW AND RESULTS OF OPERATIONS (continued)

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under Corporations Instrument 2016/191. The Company is an entity to which the Corporations Instrument applies.

Note - Reconciliation of Non-IFRS information to IFRS information

The financial information provided includes non-IFRS information which has not been audited or reviewed in accordance with Australian Accounting Standards. The information is based on the combined results of Gazal and the PVHBA joint venture.

This non-IFRS information for continuing operations is reconciled as follows:

Sales Revenue	Note	H1 FY17 \$m	H1 FY16 \$m
Gazal IFRS Sales revenue	4	26.7	30.4
PVHBA JV Sales (unaudited)	3	103.3	92.5
Combined non-IFRS sales		130.0	122.9

Net Profit Before Tax	Note	H1 FY17 \$m	H1 FY16 \$m
Gazal IFRS Net Profit Before Tax (NPBT)		6.5	5.9
Less: Gazal's share of PVHBA JV Net Profit After Tax (NPAT)	3	(3.8)	(2.4)
Add: Total PVHBA JV NPBT	3	10.7	6.4
Combined non-IFRS NPBT		13.5	9.9

Net Profit After Tax	Note	H1 FY17 \$m	H1 FY16 \$m
Combined non-IFRS NPBT (see above)		13.5	9.9
Less : Gazal tax expense	5	(1.0)	(1.1)
Less: PVHBA JV tax expense	3	(3.2)	(2.0)
Combined non-IFRS NPAT		9.3	6.8

Gazal Corporation Limited
Directors' Report

For the Half-Year Ended 31 December 2016

AUDITOR INDEPENDENCE DECLARATION

We have obtained the Independence Declaration on page 7 from our auditor, Ernst & Young.

Signed in accordance with a resolution of the directors.



Michael Gazal
Executive Chairman



Patrick Robinson
Executive Director

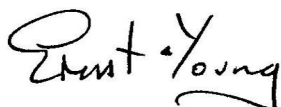
28 February 2017

Auditor's Independence Declaration to the Directors of Gazal Corporation Limited

As lead auditor for the review of Gazal Corporation Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Gazal Corporation Limited and the entities it controlled during the financial period.



Ernst & Young



Gregory J Logue
Partner
28 February 2017

Gazal Corporation Limited
Income Statement
For the Half-Year Ended 31 December 2016

		Consolidated	
		Half-year ended 31 December 2016	Half-year ended 31 December 2015
	Notes	\$'000	\$'000
Continuing operations			
Sales revenue	4	26,728	30,366
Cost of sales		(15,798)	(18,710)
Gross profit		10,930	11,656
Other revenues	4	4,398	3,502
Selling and marketing expenses		(3,780)	(4,092)
Distribution expenses		(4,953)	(4,802)
Administration expenses		(3,614)	(2,096)
Finance costs		(193)	(657)
Share of profit of joint venture	3	3,756	2,353
Profit before income tax from continuing operations		6,544	5,864
Income tax expense	5	(1,007)	(1,130)
Profit after tax from continuing operations		5,537	4,734
Discontinued operations			
Profit after tax from discontinuing operations	6	383	33,927
Net profit for the period		5,920	38,661
Profit for the period is attributable to: Owners of the parent		5,920	38,661
Earnings per share (cents per share)			
Basic for profit for the period	8	10.2	66.9
Basic for profit from continuing operations	8	9.6	8.2
Diluted for profit for the period	8	10.2	66.6
Diluted for profit from continuing operations	8	9.5	8.2

Gazal Corporation Limited
Statement of Other Comprehensive Income
For the Half-Year Ended 31 December 2016

	Notes	Consolidated	
		Half-year ended 31 December 2016 \$'000	Half-year ended 31 December 2015 \$'000
Profit after tax for the period		5,920	38,661
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
(Loss)/gain taken to equity		(362)	1,991
Transferred to income statement		1,332	(2,422)
Income tax on items of other comprehensive income		(290)	129
Other comprehensive income from joint venture	3	1,111	103
Exchange differences on translation of foreign operations		14	-
Other comprehensive income /(loss) for the period, net of tax		1,805	(199)
Total comprehensive income for the period		7,725	38,462
Total comprehensive income for the period is attributable to: Owners of the parent		7,725	38,462

Gazal Corporation Limited
Statement of Financial Position
As at 31 December 2016

	Notes	Consolidated		
		As at 31 December 2016 \$'000	As at 30 June 2016 \$'000	As at 31 December 2015 \$'000
Current assets				
Cash and cash equivalents	12	2,929	12,540	6,874
Trade and other receivables		7,637	8,957	8,082
Inventories		15,377	15,228	18,318
Derivative financial instruments	13	-	-	1,299
Income tax receivable		157	-	-
Other current assets		10,382	8,665	7,532
Total current assets		36,482	45,390	42,105
Non-current assets				
Property, plant and equipment		49,745	49,654	43,453
Intangible assets		5,798	4,719	4,969
Investment in joint venture	3	60,220	57,353	55,233
Other non-current assets		7	-	5,688
Total non-current assets		115,770	111,726	109,343
Total assets		152,252	157,116	151,448
Current liabilities				
Trade and other payables		9,134	10,890	11,601
Derivative financial instruments	13	361	1,326	-
Interest-bearing loans and borrowings	11	7,953	950	937
Income tax payable		-	13,880	12,519
Provisions		2,666	2,790	2,778
Total current liabilities		20,114	29,836	27,835
Non-current liabilities				
Other Payables		385	-	-
Interest-bearing loans and borrowings	11	20,000	-	-
Provisions		234	229	244
Deferred tax liabilities		9,465	8,525	8,455
Total non-current liabilities		30,084	8,754	8,699
Total liabilities		50,198	38,590	36,534
Net assets		102,054	118,526	114,914
Equity				
Contributed equity	10	63,373	62,773	62,773
Reserves		28,893	27,463	26,680
Retained earnings		9,788	28,290	25,461
Total Equity		102,054	118,526	114,914

Gazal Corporation Limited
Statement of Cash Flows
For the Half-Year Ended 31 December 2016

	Notes	Consolidated	
		Half-year ended 31 December 2016	Half-year ended 31 December 2015
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		33,789	81,478
Payments to suppliers and employees (inclusive of GST)		(30,643)	(82,120)
Interest and bill discounts received		41	152
Interest and other costs of finance paid		(193)	(657)
Income taxes paid on operating activities		(2,056)	(1,405)
Net cash flows from/ (used in) operating activities		938	(2,552)
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,211)	(1,832)
Proceeds from sale of buildings, plant and equipment		250	75
Purchase of intangibles		(1,576)	(133)
Proceeds from sale of discontinued operations		-	72,500
Income taxes paid on disposal of discontinued operations		(13,190)	(941)
Dividends from joint venture		2,000	-
Net cash flows (used in) /from investing activities		(13,727)	69,669
Cash flows from financing activities			
Proceeds from share issue		600	300
Proceeds from borrowings		27,000	-
Repayment of borrowings		-	(55,000)
Dividends paid		(24,422)	(24,891)
Net cash flows from/ (used in) financing activities		3,178	(79,591)
Net decrease in cash and cash equivalents		(9,611)	(12,474)
Cash and cash equivalents at the beginning of the period		12,540	19,348
Cash and cash equivalents at the end of the period	12	2,929	6,874

Gazal Corporation Limited
Statement of Changes in Equity
For the Half-Year Ended 31 December 2016

	Consolidated							
	Attributable to shareholders of Gazal Corporation Limited							
	Issued Capital \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	Employee Equity Benefit Reserve \$'000	Cash Flow Hedge Reserve \$'000	Reserves from joint venture \$'000	Retained Earnings \$'000	Total Equity \$'000
At 1 July 2016	62,773	27,611	739	600	(933)	(554)	28,290	118,526
Profit for the period	-	-	-	-	-	-	5,920	5,920
Other comprehensive income	-	-	14	-	680	1,111	-	1,805
Total comprehensive income for the period	-	-	14	-	680	1,111	5,920	7,725
Transactions with owners in their capacity as owners:								
Cost of share-based payments	-	-	-	225	-	-	-	225
Share issue	600	-	-	(600)	-	-	-	-
Transfer	-	562	(562)	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(24,422)	(24,422)
At 31 December 2016	63,373	28,173	191	225	(253)	557	9,788	102,054
At 1 July 2015	62,473	23,742	562	1,337	1,233	101	11,348	100,796
Profit for the period	-	-	-	-	-	-	38,661	38,661
Other comprehensive income	-	-	-	-	(302)	103	-	(199)
Total comprehensive income for the period	-	-	-	-	(302)	103	38,661	38,462
Transactions with owners in their capacity as owners:								
Cost of share-based payments	-	-	-	247	-	-	-	247
Share issue	300	-	-	-	-	-	-	300
Transfer	-	(343)	-	-	-	-	343	-
Dividends paid	-	-	-	-	-	-	(24,891)	(24,891)
At 31 December 2015	62,773	23,399	562	1,584	931	204	25,461	114,914

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

1 CORPORATE INFORMATION

The interim consolidated financial report of Gazal Corporation Limited and its controlled entities ("the Group") for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 28 February 2017. Gazal Corporation Limited is a for profit company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in note 7.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The interim consolidated financial report should be read in conjunction with the annual Financial Report of Gazal Corporation Limited as at 30 June 2016.

It is also recommended that the half-year financial report be considered together with any public announcements made by Gazal Corporation Limited and its controlled entities during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

a) Basis of preparation

The interim consolidated financial report for the half year ended 31 December 2016 has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting".

The interim consolidated financial report has been prepared on a historical cost basis except for derivative financial instruments, land and buildings, which have been measured at fair value.

The financial report is presented in Australian dollars, the functional currency of the principal operating subsidiaries of the Company.

All values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under Corporations Instrument 2016/191. The Company is an entity to which the Corporations Instrument applies.

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

New Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the half-year financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016.

None of the new Standards and amendments to Standards that are mandatory for the first time for the financial year beginning 1 July 2016 affected any of the amounts recognised in the current year or any prior year and are not likely to affect future periods.

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

3 INVESTMENT IN JOINT VENTURE

The Group has a 50% interest in PVH Brands Australia Pty Ltd ('PVHBA'), a jointly controlled entity, which commenced operations on 3 February 2014.

Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below.

The Group's interest has been accounted for using the equity method in the consolidated financial statements.

	Half-year ended 31 December 2016	Half-year ended 31 December 2015
	\$'000	\$'000
Sales revenue	103,253	92,486
Cost of sales	(39,120)	(39,138)
Gross profit	64,133	53,348
Other revenues	64	159
Selling and marketing expenses	(41,660)	(36,158)
Distribution expenses	(4,834)	(4,781)
Administration expenses	(4,367)	(4,159)
Depreciation and amortisation expenses	(2,550)	(1,833)
Finance costs	(54)	(141)
Profit before income tax	10,732	6,435
Income tax expense	(3,220)	(2,030)
Profit for the year	7,512	4,405
Group's share of profit for the year	3,756	2,203
Release of unrealised profit	-	150
Share of profit from joint venture in the income statement	3,756	2,353
Group's share of other comprehensive income	1,111	103
Group's share of total comprehensive income	4,867	2,456

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

3 INVESTMENT IN JOINT VENTURE (continued)

	As at 31 December 2016 \$'000	As at 30 June 2016 \$'000
Current assets (1)	65,528	63,399
Non-current assets	91,646	84,529
Current liabilities (2)	28,770	26,307
Non-current liabilities	4,283	3,231
Equity	124,121	118,390
Portion of Group's ownership 50%	62,061	59,195
Carrying amount of investment:		
Opening	57,353	52,777
Share of profit	3,756	5,081
Dividends paid	(2,000)	-
Release of unrealised profit	-	150
Other comprehensive income (3)	1,111	(655)
Closing	60,220	57,353

(1) Includes \$14,633,000 (30 June 2016: \$14,600,000) of cash and cash equivalents.

(2) There are no interest-bearing loans and borrowings (30 June 2016: nil) at period end.

(3) Relates to the movement in forward currency contract cash flow hedge reserve.

The board of PVH Brands Australia Pty Limited resolved by circular resolution to pay an interim fully franked dividend to the ordinary shareholders in the capital of the company totalling \$4,000,000, out of the retained profits of the joint venture. This was paid on 12 December 2016.

The joint venture had no contingent liabilities or capital commitments as at 31 December 2016 or 30 June 2016.

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

4 REVENUE AND EXPENSES

Profit before income tax expense includes the following revenues and expenses for which disclosure is relevant in explaining the performance of the entity:

	Consolidated	
	Half-year ended 31 December 2016	Half-year ended 31 December 2015
	\$'000	\$'000
<i>Revenue and Expense</i>		
(i) Revenue		
Sales revenue	26,728	30,366
Other revenue		
Interest revenue	41	152
Fees from joint venture	3,276	2,936
Rental revenue	912	-
Other	169	414
Total other revenue	4,398	3,502
Total revenue	31,126	33,868
(ii) Expenses and losses		
Depreciation, amortisation and impairment		
Depreciation of buildings	308	258
Depreciation of plant and equipment	559	492
Depreciation of leasehold improvements	2	3
Amortisation of software	497	635
	1,366	1,388
Employee benefit expense		
Wages and salaries	6,060	5,672
Defined contribution superannuation expense	575	614
Employee entitlements	648	715
Share-based payments	225	312
	7,508	7,313
Borrowing costs - Interest expenses	193	657
Bad & doubtful debts recovery	(7)	-
Operating lease rentals	153	83
Release of inventories obsolescence	(566)	(58)
Foreign exchange gain	-	(124)

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

5 INCOME TAX

The major components of income tax expenses for the half-year ended 31 December 2016 and 31 December 2015 are:

	Consolidated	
	Half-year ended 31 December 2016 \$'000	Half-year ended 31 December 2015 \$'000
Income Statement		
<i>Current income tax</i>		
Current income tax (benefit)/charge attributable to continuing operations	344	1,611
Adjustments in respect of current income tax of previous years	177	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	486	(481)
Income tax expense/(benefit) reported in the income statement	1,007	1,130

6 DISCONTINUED OPERATIONS

Discontinued operations for the half-year ended 31 December 2016 represent the finalisation benefit from contracts subsequent to the disposal of the Trade Secret business in October 2015.

Discontinued operations for the half-year ended 31 December 2015 relates to the trading operations of Trade Secret until the sale to TJX in October 2015, the recognition of profit on the sale of Trade Secret and residual transaction costs in relation to the sale of Midford School-wear operations.

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

6 DISCONTINUED OPERATIONS (continued)

The results of the discontinued operations are presented below:

	Half-year ended 31 December 2016		Half-year ended 31 December 2015		
	Trade Secret \$'000	Total \$'000	Midford \$'000	Trade Secret \$'000	Total \$'000
Trading					
Sales revenue	-	-	-	51,855	51,855
Other revenue	-	-	-	-	-
Cost of sales	-	-	-	(31,422)	(31,422)
Depreciation and amortisation	-	-	-	(953)	(953)
Employees benefit expenses	-	-	-	(8,191)	(8,191)
Other benefit/(expenses)	546	546	(246)	(11,878)	(12,124)
Profit/(loss) before tax from discontinued operations	546	546	(246)	(589)	(835)
Tax (expense)/benefit	(163)	(163)	78	172	250
Profit/(loss) for the period from discontinued operations	383	383	(168)	(417)	(585)
Gain on sale of discontinued operations after tax	-	-	-	34,512	34,512
Total profit from discontinued operations	383	383	(168)	34,095	33,927

*Note: Trade Secret in the year ended 31 December 2016 represents finalisation benefit from contracts subsequent to the disposal of the business in October 2015.

*Note: Midford in the year ended 31 December 2015 represents expenses subsequent to the disposal of the business in June 2015.

	31 December 2016 cents	31 December 2015 cents
Earnings per share - cents per share:		
- Basic from discontinuing operations	0.66	58.70
- Diluted from discontinued operations	0.66	58.40

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

7 OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold. Discrete financial information about each of these operating businesses is reported to the Board of Directors on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the market and customer base, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Types of markets and customer groups

Wholesale

The wholesale business services our traditional retail customers. The products sold are workwear and corporate uniforms.

Direct to consumer

There is no longer an operating direct to consumer segment in the Group as a result of the sale of our off-price retail channel Trade Secret and Midford shops in the previous periods.

Accounting policies and inter-segment transactions

The accounting policies used in reporting segments are the same as those contained in the Financial Report.

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

7 OPERATING SEGMENTS (continued)

	Wholesale	Direct to Consumer	Unallocated Items	Total
	\$'000	\$'000	\$'000	\$'000
Half-year ended 31 December 2016				
Revenue				
Sales to external customers	26,728	-	-	26,728
Other revenues from external customers	16	-	-	16
Segment Revenue	26,744	-	-	26,744
Segment net operating profit before tax	1,424	-	-	1,424
includes the following:				
- Interest revenue	-	-	41	41
- Interest expense	-	-	(193)	(193)
- Depreciation and amortisation	(31)	-	(1,335)	(1,366)
- Other non-cash expenses	3	-	(3)	-
- Discontinued operations before income tax	-	-	-	-
Segment assets	29,085	-	-	29,085
Capital expenditure	62	-	1,149	1,211
Segment liabilities	11,617	-	-	11,617
	Wholesale	Direct to Consumer	Unallocated	Total
	\$'000	\$'000	Items	\$'000
Half-year ended 31 December 2015				
Revenue				
Sales to external customers	30,366	-	-	30,366
Other revenue	39	-	-	39
Segment revenue	30,405	-	-	30,405
Segment net profit before tax	2,148	-	-	2,148
includes the following:				
- Interest revenue	-	-	152	152
- Interest expense	-	-	(657)	(657)
- Depreciation and amortisation	(41)	-	(1,347)	(1,388)
- Discontinued operations before income tax	246	589	-	835
Segment assets	33,003	-	-	33,003
Capital expenditure	21	-	1,811	1,832
Segment liabilities	8,175	-	-	8,175

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

7 OPERATING SEGMENTS (continued)

i) Segment net operating profit after tax reconciliation to the income statement

	Consolidated	
	Half-year ended 31 December 2016	Half-year ended 31 December 2015
	\$'000	\$'000
Segment net operating profit before tax	1,424	2,148
Interest revenue	41	152
Interest expense	(193)	(657)
Depreciation and amortisation	(1,335)	(1,347)
Other non-cash expenses	(3)	-
Share of profit of joint venture	3,756	2,353
Over-allocation of corporate overhead to segments	2,854	3,215
Total net profit before tax for continuing operations per the income statement	6,544	5,864

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit after taxation and attributable to the members of the parent entity, and the weighted average number of shares on issue during the period.

The calculation of diluted earnings per share is based on the profit after taxation and attributable to the members of the parent entity, and the weighted average number of shares on issue during the period, adjusted to assume the full issue of shares under employee remuneration schemes, to the extent that they are dilutive.

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

8 EARNINGS PER SHARE (continued)

	Consolidated	
	Half-year ended 31 December 2016	Half-year ended 31 December 2015
	\$'000	\$'000
Net Profit attributable to ordinary equity holders of the parent from continuing operations	5,537	4,734
Profit attributable to ordinary equity holders of the parent from discontinued operations	383	33,927
Earnings used in calculating basic and diluted earnings per share	5,920	38,661
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	57,886,477	57,817,957
Effects of dilution from performance rights	272,728	241,935
Weighted average number of ordinary shares adjusted for the effect of dilution	58,159,205	58,059,892

9 DIVIDENDS

	Consolidated	
	Half-year ended 31 Dec 16	Half-year ended 31 Dec 15
	\$'000	\$'000
Dividends declared and paid during the half year on ordinary shares:		
Final fully franked dividend for the financial year 30 June 2016, 7 cents per share (2015: 7 cents per share) paid 4 October 2016	4,066	4,631
Special franked dividend 35 cents (2015: 35 cents) paid 4 October 2016	20,356	20,260
Dividends proposed and not yet recognised as a liability;		
Interim fully franked dividend for the half year ended 31 Dec 2016, 6 cents per share, proposed to be paid 4 April 2017 (2015: 5 cents paid 4 April 2016)	3,490	2,894

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

10 CONTRIBUTED EQUITY

	Consolidated	
	Number \$'000	Value \$'000
Ordinary shares		
Opening balance 1 July 2016	57,886	62,773
Shares issued	273	600
Closing balance at 31 December 2016	58,159	63,373
Opening balance 1 July 2015	57,769	62,473
Shares issued	117	300
Closing balance at 30 June 2016	57,886	62,773

11 INTEREST-BEARING LOANS AND BORROWINGS

The Bank Loans noted below are secured by a first mortgage over freehold land and buildings and by deeds of charge, and mortgage debentures over all tangible assets of the economic entity. Bank loans have been classified as non-current and current liabilities. The loan facilities with our bank were renegotiated in 2016 and expire on 17 June 2018. The facilities are subject to annual review and the bank reserves the right to withdraw the facilities if in the opinion of the bank there has been a breach or event of default and certain financial ratios are not maintained to the satisfaction of the bank.

Included in the facilities noted below is a temporary facility of \$10,000,000 approved for the period 15 November 2016 to 15 May 2017. The drawdown on this facility of \$ 7,953,000 is shown as a current liability in the Statement of Financial Position.

The fair value of the interest- bearing loans is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Interest-bearing loans and borrowings are classified as level 2 financial instruments. The carrying value represents the approximate fair value at reporting date.

	Consolidated		
	Accessible \$'000	Drawndown \$'000	Unused \$'000
At 31 December 2016			
Bank overdraft facility	3,078	-	3,078
Bank loan facilities	30,950	(27,953)	2,997
Total financing facilities	34,028	(27,953)	6,075
At 30 June 2016			
Bank overdraft facility	3,000	-	3,000
Bank loan facilities	20,950	(950)	20,000
Total financing facilities	23,950	(950)	23,000

Expiry date: 17 June 2018 (2016: 30 September 2016)

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

12 CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, cash and cash equivalents are composed of the following:

	Consolidated	
	As at 31 December 2016	As at 30 June 2016
	\$'000	\$'000
Cash at bank and on hand	2,929	12,540
	2,929	12,540

13 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group operates in several countries and is reliant on external debt finance. These operations give rise to significant exposure to market risks due to changes in interest rates and foreign exchange rates. Derivative financial instruments are used by the economic entity to reduce these risks, as explained in this note. The Group does not hold or issue financial instruments for speculative or trading purposes.

Primary responsibility for identification and control of financial risks rests with management and the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, cash and short-term deposits and derivatives. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Notional Amounts and Credit Exposures of Derivatives

The notional amounts of derivatives, as summarised below, represent the contract or face values of these derivatives and do not represent amounts exchanged by the parties. The amounts to be exchanged are calculated on the basis of the notional amounts and other terms of the derivatives, which relate to interest rates or exchange rates.

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

13 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
OBJECTIVES AND POLICIES (continued)

a) Interest Rate Risk Management

The economic entity has short and long term debt at both fixed and floating rates.

At reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	Consolidated	
	As at 31 December 2016 \$'000	As at 30 June 2016 \$'000
<i>Financial assets</i>		
Cash and cash equivalents	2,929	12,540
	<u>2,929</u>	<u>12,540</u>
<i>Financial liabilities</i>		
Bank loans at floating rate	27,953	950
	<u>27,953</u>	<u>950</u>
Net exposure	<u>(25,024)</u>	<u>11,590</u>

Interest bearing assets and liabilities are denominated in Australian dollars and New Zealand dollars.

The economic entity is exposed to interest rate risk through primary financial assets and liabilities.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

13 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
OBJECTIVES AND POLICIES (continued)

a) Interest Rate Risk Management (continued)

At 31 December, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonable possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	Half-year ended 31 December 2016	Half-year ended 31 December 2015	As at 31 December 2016	As at 30 June 2016
	\$'000	\$'000	\$'000	\$'000
Consolidated				
+1% (100 basis points)	(175)	42	-	-
-0.5% (50 basis points)	88	(21)	-	-

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

Significant assumptions used in the interest rate sensitivity analysis include:

- i) Reasonably possible movements in interest rates were determined based on the Australian interest rates, relationships with finance institutions, the level of debt that is expected to be renewed as well as a review of the last two year's historical movements and economic forecaster's expectations.
- ii) The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from the reporting date.

b) Foreign Currency Risk

As a result of large purchases of inventory denominated in United States Dollars, the Group's statement of financial position can be affected significantly by movements in the AUD/USD exchange rates. The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

The Group uses forward currency contracts to eliminate the currency exposures on individual transactions.

At 31 December 2016, the Group had the following exposure to USD foreign currency that is not designated in cash flow hedges:

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

13 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
OBJECTIVES AND POLICIES (continued)

b) Foreign Currency Risk (continued)

	Consolidated	
	As at	As at
	31 December 2016	30 June 2016
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	410	370
Trade and other receivables	-	3
Net exposure	410	373

The Group has forward currency contracts designated as cash flow hedges that are subject to fair value movements through equity for the effective portion and the income statement for the ineffective portion as foreign exchange rates move.

Valuation techniques

The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. All contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own credit risk.

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date:

At 31 December 2016, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonable possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	Half-year ended	Half-year ended	As at	As at
	31 December 2016	31 December 2015	31 December 2016	30 June 2016
	\$'000	\$'000	\$'000	\$'000
Consolidated				
AUD/USD +10%	21	8	(3,457)	(4,252)
AUD/USD - 5%	(10)	(4)	1,482	1,822

The movements in profit in the half year are higher than the previous half year due to the higher level of US Dollar receivables not designated as cash flow hedges at balance date. The movements in equity are lower at 31 December 2016 than at 30 June 2016 owing to the lower level of USD hedging of inventory purchases as at 31 December 2016.

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

13 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
OBJECTIVES AND POLICIES (continued)

b) Foreign Currency Risk (continued)

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- i) Reasonably possible movements in foreign currency were determined based on a review of the last two year's historical movements and economic forecaster's expectations.
- ii) The reasonably possible movement was calculated by taking the USD spot rate as at reporting date, moving this spot rate by the reasonably possible movements and then re-converting the USD into AUD with the "new spot rate". This methodology reflects the translation methodology undertaken by the Group.
- iii) The net exposure at reporting date is representative of what the Group was and is expecting to be exposed to in the next twelve months from reporting date.
- iv) The effect on other comprehensive income is the effect on the cash flow hedge reserve.

Management believes the reporting date risk exposures are representative of the risk exposure inherent in the financial instruments.

c) Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and committed available credit lines.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as of 31 December 2016. For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 31 December 2016.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	As at 31 December 2016 \$'000	As at 30 June 2016 \$'000
<i>Financial liabilities</i>		
0-12 months	17,448	13,166
1-5 years	20,441	-
Over 5 years	-	-
	37,889	13,166

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

13 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
OBJECTIVES AND POLICIES (continued)

d) Hedging Instruments.

With respect to the use of derivative financial instruments, it is Company's policy that financial derivatives are only used as a defensive mechanism to cover real financial and trading risks associated with the Company's business. Key procedures to provide effective control for financial derivatives include separation of duties between deal making/accounting functions, and setting authority limits and approving confirmation of dealings.

Hedging activities

	Consolidated	Consolidated
	31 December 2016	30 June 2016
	\$'000	\$'000
<i>Current liabilities</i>		
Forward currency contracts - cash flow hedges	361	1,326
	361	1,326

Movement in forward currency contract cash flow hedge reserve

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest rate and foreign exchange rates.

e) Fair Value

All derivative financial instruments have been categorised as level 2 in the fair value hierarchy at all times during the year.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Gazal Corporation Limited
Notes to the Half-Year Financial Report
For the Half-Year Ended 31 December 2016

14 COMMITMENTS AND CONTINGENCIES

Since the last annual reporting date, there has been no material contingent liabilities, contingent assets or capital commitments.

15 EVENTS AFTER THE BALANCE SHEET DATE

There are no matters or circumstances that have arisen since 31 December 2016 that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the Company in subsequent financial years.

16 RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions which have been entered into with related parties during the six months ended 31 December 2016 and 2015 as well as balances with related parties as at 31 December 2015 and 31 December 2016.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		\$'000	\$'000	\$'000	\$'000
Joint venture in which the Parent is a venturer:					
PVH Brands Australia Pty Limited	2016	9,036	-	2,006	-
	2015	8,094	1,258	1,593	-

Gazal Corporation Limited
Directors' Declaration
For the Half-Year Ended 31 December 2016

In accordance with a resolution of the directors of Gazal Corporation Limited, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and the performance for the half-year ended on that date
 - (ii) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001
- (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

On behalf of the Board



Michael Gazal
Executive Chairman



Patrick Robinson
Executive Director

28 February 2017

To the members of Gazal Corporation Limited and its controlled entities

Report on the Half Year Financial Report

We have reviewed the accompanying half-year financial report of Gazal Corporation Limited and its controlled entities, which comprises the statement of financial position as at 31 December 2016, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gazal Corporation Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

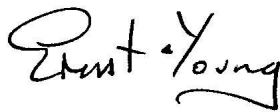
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gazal Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Gregory J Logue
Partner
Sydney
28 February 2017

Gazal Corporation Limited
Corporate Directory
For the Half-Year Ended 31 December 2016

Auditors

Ernst & Young
200 George Street Sydney NSW 2000

Bankers

Westpac Banking Corporation
60 Martin Place Sydney NSW 2000

Company Secretary

Peter James Wood CA, FICS

Registered Office and principal place of business

3-7 McPherson Street
Banksmeadow NSW 2019
Telephone: (02) 9316 2800
Fax (02) 9316 7207
Web: www.gazal.com.au

Share Registry

Boardroom Limited
Level 12, 225 George Street, Sydney, NSW 2000
Telephone: Within Australia 1300 737 760, Outside Australia +61 2 9290 9600

Solicitor

Johnston Winter Slattery
20 Bond Street, Sydney NSW 2000

Ashurst

5 Martin Place, Sydney NSW 2000

State of Incorporation

Victoria, Australia

Stock Exchange Listings

Gazal Corporation Limited shares are quoted on the Australian Stock Exchange

ASX CODE

GZL